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D 8523A

ESTONIA
Search begins for joint-venture models
Page 4

World News

Soviet troops ordered in to rebel Baltic republics

Thousands of Soviet paratroops have been ordered in to the Baltic region to enforce observance of the military draft, Latvian officials said.

The report conflicts with a Soviet army assurance given only last week that no military reinforcements would be sent to the Baltics. Page 16; Estonia starts search, Page 4

Haiti coup fails

Loyal Haitian troops stormed the presidential palace in the capital Port-au-Prince, crushing a coup attempt by former interior minister Roger Lafontant. Page 16

Summit in question

The US still intends to go ahead with next month's summit between President Bush and Soviet leader Mikhail Gorbachev, but there is a possibility it could be delayed, the White House said.

Ershad charged

Police filed the first formal charges against Bangladesh's deposed President Hussain Muhammad Ershad, accusing him of illegal possession of firearms. Page 5

Somalia panic

Panic broke out at Mogadishu airport as a group of Somalis fleeing nine days of fierce clan warfare forced their way on to two Italian aircraft evacuating the last remaining foreigners. Page 5

Nidal hostages claim

A radical Palestinian group led by the world's most wanted guerrilla, Abu Nidal, said it had released four Belgian hostages. Page 5

Art sale threat

A group of artists and writers filed a Supreme Court petition to stop the Philippines from auctioning valuable paintings and silverware belonging to late president Ferdinand Marcos.

Sudanese battles

The Sudanese army said its troops killed over 100 rebels and destroyed camps of the Sudan Peoples Liberation Army in fierce clashes in Southern Kordofan province on Friday.

Serrano wins poll

Businessman Jorge Serrano defeated Jorge Carpio by a margin of two-to-one to become the next president of Guatemala. Page 4

Minister charged

Joseph Kitingan, chief minister of the Malaysian state of Sabah, is to face trial on three counts of corruption following his sudden arrest by police at the weekend. Page 5

Poor report card

South Africa announced the worst ever school-leaving examination results by black students. Page 5

Citizenship restored

Bucharest restored the Romanian citizenship of former King Michael after recently expelling the visiting ex-monarch. The move means that he will be able to come to Romania whenever he wants.

Bus crash kills 46

Forty-six passengers, mostly students, were killed when their overloaded bus crashed in Muranga district 60 kilometres north-east of Nairobi.

Romanian sackings

The Romanian government plans to fire about 200,000 metal workers and miners as part of a drive to save power and raw materials, an official spokesman said.

Nikezic dies

Marko Nikezic, the former Yugoslav communist leader removed from power in a sweeping purge of liberals in 1972, died, aged 69.

Business Summary

S&P figures underline problems in US economy

The grim financial condition of the US corporate sector was demonstrated when Standard & Poor's, a large US ratings agency, revealed it had downgraded long-term corporate credit ratings in 768 instances last year, double the number recorded in 1988.

S&P analysts expect downgrades to exceed upgrades again in the current year. Page 17

MARKETS: Wall Street: US equity prices moved sharply lower yesterday amid renewed fears that Gulf war is inevitable. At the close, Dow Jones Industrial Average was down 43.32 at 2,522.77. Tokyo: Volume shrank to 170m shares, the lowest since October 27, 1986. Nikkei average closed down 332.61 at 23,736.57. Frankfurt: DAX index closed 37.91 lower at 1,358.16. Back Page, Section II

TRADE finance: Banks are increasingly reluctant to provide trade finance to developing countries, according to Washington-based Institute of International Finance. Page 16

NEWS Corporation: International bonds issued by Rupert Murdoch's media empire are yielding up to 47 per cent as concern grows over prolonged debt restructuring negotiations with bankers. Page 17

CHASE Manhattan, US banking group, plans to close its commercial banking operation in Bahrain as part of rationalisation designed to cut $300m in costs. Page 22

WESTPAC Banking Corporation, Australia's biggest bank, has closed its branch in South Korea after failing to end a four-month strike. Page 5

SNECMA, French state-controlled aero-engine manufacturer, is increasing its long-standing co-operation links with General Electric of the US in the commercial jet engine field. Page 18

TSB Group, UK's sixth largest bank, is to sell Target Group, its ailing insurance subsidiary, to life assurance company Equity & Law, owned by France's Axa Midi. Page 17

GREECE must reduce tax evasion and eliminate thousands of civil service jobs in order to qualify for an Ecu2bn ($2.95bn) European Community loan. Page 3

GOLD: The seven South African gold mines in the Gold Fields group achieved improved grades to overcome a decline in the metal's price and record increased profits. Page 29

INDONESIAN budget: Spending has been increased with emphasis on infrastructure projects and battle against inflation. Page 5

CHILE and Argentina are jointly to exploit oil and natural gas reserves in Argentine waters east of the Straits of Magellan. Page 4

NEW Zealand's crackdown on welfare benefit fraud is already saving more than NZ$1m ($602,000) a week on unemployment payments alone. Page 5

FINANCIAL TIMES European 500 1991

This definitive ranking of Europe's industrial and commercial power-houses appears on Thursday.

UN date for Iraqi withdrawal will not be extended ● Baghdad faces certain war if it does not comply

US, Britain stand firm on deadline

By Robert Mauthner in London and Philip Stephens in Riyadh

THE US and Britain yesterday insisted that the January 15 United Nations deadline for Iraq's withdrawal from Kuwait could not be extended and said that Baghdad faced war if it did not comply.

Mr James Baker, US secretary of state, after meeting Mr Douglas Hurd, Britain's foreign secretary, in London, said that the UN deadline was "real". He had made clear before arriving in London that the US would not allow itself to be "manipulated" by Iraq over the deadline.

"Saddam Hussein has it within his power to determine whether there is peace or whether there is not peace. The choice is his", Mr Baker said only two days before his scheduled meeting in Geneva with Mr Tariq Aziz, Iraq's foreign minister.

Mr John Major, Britain's prime minister, strongly supported Mr Baker's remarks in Riyadh, saying there was "no question whatsoever of altering that deadline. None whatsoever".

Mr Major, who during his visit to the region showed obvious concern to dispel any speculation about possible negotiation with Iraq, added: "The position is perfectly clear. He has to withdraw. He has to withdraw totally, completely and as speedily as possible. There can be no compromise on that."

Mr Baker similarly ruled out negotiations in a briefing during his flight to London.

He strongly underlined the US opposition to linkage between Iraq's withdrawal from Kuwait and the holding of a Middle East peace conference to settle the Israeli-Palestinian dispute.

Mr Baker said he regarded a French proposal broadly tying an Iraqi withdrawal with a conference or series of conferences on other Middle East problems as linkage. "We would find it impossible to sign on to it", he said.

Nevertheless, Mr Baker said of his talks with Mr Aziz: "I'm not going to tell you that we don't anticipate that there might be some surprise coming out of this meeting, because I think there very well might be. Let's wait and see."

Mr Baker ruled out any further meeting with Iraqi leaders in Baghdad, but refused to be drawn on whether such a meeting – perhaps with Iraq's president Saddam Hussein – could be held elsewhere.

Mr Baker held two hours of talks with Mr Hurd, beginning a series of consultations with the main allies of the US which will include talks today with President François Mitterrand of France and Chancellor Helmut Kohl of Germany.

Mr Baker also met Mr Jacques Poos, the Luxembourg foreign minister and chairman of the European Community Council of Ministers, Mr Francisco Fernandez Ordonez, Spain's foreign minister, Mr Gianni de Michelis, Italy's foreign minister, and Mr Manfred Wörner, Nato secretary-general.

In Taif, Sheikh Jaber al-Sabah, the exiled Emir of Kuwait voiced fears to Mr Major that the international coalition against Mr Saddam might soften if Iraq staged a partial withdrawal from Kuwait.

During a 50-minute meeting with Mr Major, he said he was concerned that a partial withdrawal might be taken by some governments as an acceptable basis for negotiations with Baghdad.

The Kuwaiti leader added that anything less than full restoration of the legitimate government would threaten continued instability in the region. He called for the international community to maintain its demand that Iraq should be forced also to pay reparations for the massive destruction it had wrought in Kuwait. The concern of the country's exiled leaders about the strength of the coalition against Iraq was also reflected in close questioning of Mr Major by the Crown Prince of Kuwait about the stance of the European Community. That coincided with signs of unease among British officials that France might be among countries prepared to seek a compromise if Iraq indicated its willingness to withdraw.

Mr Major, however, insisted repeatedly that there could be no question of negotiations with Mr Saddam while he continued to occupy any part of Kuwait. After talks with the commanders of the 35,000 British servicemen in the Gulf he also voiced confidence that the forces ranged against Iraq were now fully prepared.

Last night, Mr Major was holding talks with King Fahd of Saudi Arabia before travelling to the country's Eastern Province today to meet British troops.

Mr Hurd said he and Mr Baker held "identical positions". Mr Baker was going to his meeting with Mr Aziz with a crucial double message: If Iraq insisted on staying in Kuwait, it would be forced out. However, if Mr Saddam withdrew his forces from Kuwait, he would not be attacked.

Mr Baker's version of the message, however, was not quite as strong. If Iraqi troops did not withdraw from Kuwait by the deadline, they would, "in all probability", be forced out, he said.

Mr Hurd said that suggestions that Iraq might be willing to withdraw if the UN extended its deadline were unacceptable. "We have our ears cocked for a message from Baghdad.. . The message the world is waiting for from Baghdad is not one of delay but one of compliance."

The US has emphasized that the meeting in Geneva with Mr Aziz would on no account be a negotiation, merely a last chance for the US and its allies to underline their firm position on Kuwait.

THE GULF CRISIS

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- Bond dealers' war worries
- Shamir rules out attack
- UK fears Iraqi initiative

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Douglas Hurd and James Baker speaking after yesterday's meeting in London

West fears superweapon announcement from Saddam

By Victor Mallet, Middle East Correspondent, in London

WESTERN officials fear that President Saddam Hussein of Iraq will soon claim he possesses a hitherto undisclosed weapon, possibly a crude nuclear device, in an attempt to head off an attack by the multinational alliance in the Gulf.

They believe that, if Mr Saddam has decided not to withdraw from Kuwait he will be considering several options, including what one official called a "superweapon announcement".

There is no hard evidence, at the moment, that Iraq has an atomic weapon. However, the country has been pursuing nuclear, chemical and biological weapons development since the outbreak of the Gulf war against Iran in 1980 through the clandestine purchase of technology in the west.

In recent weeks Iraq has hinted at awesome military capabilities, threatened to attack Israel and suggested that it will launch a campaign of terrorism if the multinational alliance begins a war to drive Iraqi troops out of Kuwait.

Mr Saddam said in a defiant speech on Sunday that "there are technical facilities of a tactical, strategic and operational nature that cannot be imagined on the level of the armed forces if the battle occurs in a place different from its present place".

In another speech, broadcast yesterday, he made a scarcely veiled reference to the possibility of using worldwide terrorism .

He said the theatre of Iraqi operations included "every struggler and fighter whose hand can reach out to harm . . . aggressors in the whole world".

He told his army commanders: "One of the reasons for the (Arab) nation's weakness is the feeling of impotence because of lack of faith and prerequisites for the confrontation. But now, with all these requirements fulfilled . . . victory is close."

A US congressional expert said yesterday: "We were deeply concerned at the end of last week that Saddam Hussein was going to announce that he had the bomb."

"We think he doesn't; the problem is, who is going to call his bluff? I'm still concerned... The problem is not only the military threat of this thing, but the question of political fallout."

Another Iraqi option, equally feared by hawks in the anti-Iraq coalition, is a compromise proposal designed to divide Iraq's opponents around the time of the January 15 United Nations deadline for an Iraqi withdrawal from Kuwait.

● Four Iraqi aircraft crossed the Kuwaiti border and requested asylum in Saudi Arabia yesterday, the first major defections from Mr Saddam air force, US defence officials said, AP reports from Dhahran.

The aircraft requested asylum while flying over Saudi airspace and were escorted to a Saudi airbase by F-15 aircraft, officials said.

The heightened Gulf tensions pushed the dollar sharply higher on the foreign exchanges yesterday, while both New York and London stock markets slipped back, writes Rachel Johnson. Analysts said this was because the currency was likely to bounce up from last year's low levels, in spite of US recession, if there was a war in the Middle East.

Stock markets fell back. The Dow Jones Industrial Average closed 43.32 down at 2,522.7. In London, anxiety about the Gulf crisis helped create a fall of 12.8 points in the FT-SE index, to 2,113.3.

US seeks to boost confidence with New England bank rescue

By Peter Riddell in Washington and Stephen Fidler in London

US federal regulators said yesterday that their takeover of banks owned by the Boston-based Bank of New England Corporation should reassure depositors that their money was safe in banks insured with the government.

The announcement late on Sunday of the government rescue of the banks, at an estimated cost to the Federal insurance fund of $2.3bn, followed rising losses on property loans and a run on deposits late last week. It ranked among the largest bank collapses in the US and was the biggest since the problems of some Texas banks in 1988-89.

Confidence in New England banks has been shaken by the deepening recession in the region and growing problems on property loans.

To prevent an erosion of confidence spreading to other banks in the region, the Federal Deposit Insurance Corporation (FDIC) is protecting all deposits in the banks taken over, and not just those up to the $100,000 ceiling of the federal insurance guarantee. Roughly a tenth of the banks' deposits, or around $2bn, are above this limit.

Mr William Seidman, FDIC chairman, said that "to protect the stability of the system, we should protect all depositors." But he said this was not a precedent for other rescues.

Mr Robert Clarke, comptroller of the currency, said: "Our feeling was the best thing we could do for the bank and the region was to step in and take control of it. We wanted the message to be: the government is prepared to step in and do what needs to be done. You don't have to be concerned about leaving your deposits in a federally insured institution."

The White House was at pains to note that the rescue would be handled through the FDIC's existing insurance accounts and no taxpayer money would be involved.

The collapse of the Bank of New England reinforced nervousness in international capital and money markets about the credit quality of many US banks, but failed to make a dramatic impact on trading.

The collapse was not a surprise and the federal rescue had further reduced the cause for panic, bankers said.

Many foreign banks had already cut credit lines to the bank. A senior official at Britain's National Westminster, for example, said his bank had stopped extending new credit about a year ago and now had zero exposure, since all credit lines had been repaid.

In the US, worries about the banking collapse and the Middle East heightened demand for short-term, high-quality assets such as Treasury bills, in a typical flight to quality, dealers said. But there appeared to be no stampede.

Bank of New England's $750m of outstanding medium-term debt, all in the US market, was already of "junk" quality and was further downgraded by credit rating agencies yesterday. The bank's bonds fell to about 2 cents on the dollar from about 7 cents. Editorial comment, Page 14; Analysis, Page 17

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Budget may provide last chance for Swedish ruling party

The Swedish budget on Thursday probably provides the last opportunity for the ruling Social Democrats, led by prime minister Ingvar Carlsson (left), to rally their political fortunes in this election year
Page 3

MARKETS

STERLING
New York lunchtime:
$1.907
London:
$1.906 (1.9335)
DM2.92 (2.9125)
FFr9.915 (9.88)
SFr2.4625 (2.465)
Y260.5 (261.25)
£ index 93.8 (94.2)

GOLD
New York: Comex Feb
$396.2 (387.2)
London:
$391.25 (387.5)

N SEA OIL (Argus)
Brent Feb
$26.0 (23.875)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.532
FFr5.1955
SFr1.2905
Y138.415
London:
DM1.5325 (1.506)
FFr5.2025 (5.11)
SFr1.2915 (1.2755)
Y136.65 (135.1)
$ index 62.1 (61.1)
Tokyo close: 136.05

US lunchtime rates
Fed Funds $6\frac{1}{2}$%
3-mo Treasury Bills:
yield: 6.70%
Long Bond:
$104\frac{15}{16}$
yield: 8.28%

STOCK INDICES
FT-SE 100:
2,113.3 (−12.8)
FT Ordinary:
1,647.8 (−11.7)
FT-A All-Share:
1,017.62 (−0.5%)
New York lunchtime:
DJ Ind. Av.
2,544.55 (−21.54)
S&P Comp
318.32 (−2.68)
Tokyo: Nikkei
23,736.57 (−332.61)

LONDON MONEY
3-month Interbank:
closing $13\frac{11}{32}$% (same)
Liffe long gilt future:
Mar $90\frac{7}{32}$ ($90\frac{3}{16}$)

London fears Saddam will stage 11th-hour initiative

Major's tour highlights worry that potency of the UN deadline will be undercut. Philip Stephens reports

THE APPROACH of the January 15 UN deadline for Iraq to withdraw from Kuwait has generated as many theories about President Saddam Hussein's likely response as there are national contingents in the coalition ranged against him.

But Mr John Major's tour of the region this week has highlighted what is emerging as one of Britain's principal concerns as its forces in Saudi Arabia prepare for the possibility of war.

The fear – being voiced publicly by Kuwait's exiled leaders and privately by Mr Major's advisers – is that *Saddam will launch* an *11th-hour initiative* to undercut the effectiveness of the UN deadline.

It might include a partial withdrawal; or *it might* involve the promise of a staged retreat in return for a series of assurances on issues ranging from the Arab-Israeli conflict to Iraq's long-standing claim to two of Kuwait's offshore islands.

Whatever the precise formula, the aim would be clear – to do just enough to fragment the alliance ranged against him and thus deprive the US and Britain of the international support they would need to eject him militarily.

There is no certainty among British strategists that Saddam intends such an initiative. *It is remarkable that* five months after the invasion, western leaders remain deeply unsure of the Iraqi leader's perspective on the crisis.

Mr Major believes that it is still just possible that Saddam has realised that he faces certain defeat by the military forces ranged against him and that he is merely delaying an inevitable climb-down until the last moment. An Arab leader will always use up all the time available to him, is how one official put it.

The tone of the UK prime minister's comments this week, however, *suggests* he is more inclined to the view of advisers who believe that Saddam's uniquely powerful position in Iraq has isolated him from reality. He may still believe that his enemies lack the will to fight and that he can engineer at least a partial victory.

It is that illusion that Mr James Baker, the US secretary of state, will attempt to shatter in his talks tomorrow with Mr *Tariq Aziz*, the Iraqi foreign minister. Mr Baker is expected to emphasise also – as Mr Major has been doing repeatedly while in Saudi Arabia – that a conditional or partial withdrawal would not prevent an attack aimed at the complete libera*tion of Kuwait*.

Neither Mr Major nor Mr Baker, however, can be fully confident that a gesture by the Iraqi leader which fell short of total withdrawal might not blur the sharp focus which the January 15 deadline has so far provided for the international coalition.

The exiled Emir of Kuwait raised just such a possibility in his talks yesterday with Mr Major, while the Crown Prince of Kuwait sought assurances from the British prime minister that there were no divisions within the European Community.

Mr Major was happy to underline his insistence that a full Iraqi withdrawal was non-negotiable. There is *private concern in the* British government, however, about the durability of the commitment of some of its European Community partners – par*ticularly* France.

The recent differences between President George Bush and US congressional leaders about the extent of Mr Bush's authority to act unilaterally has raised parallel anxieties over the resilience of public opinion in the US.

The approach in March of the Saudi summer and the problems of maintaining morale among their troops in the desert suggest that neither the US nor Britain can afford to allow Iraq to "buy time" with tactical or negotiating ploys.

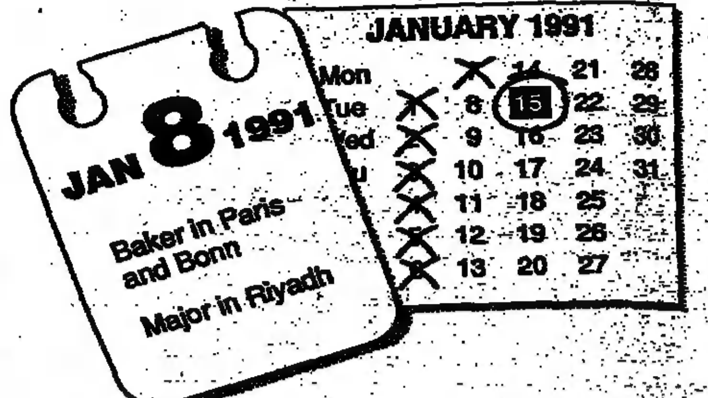
For his part, Mr Major has toned down the anti-Iraq rhetoric of Mrs Margaret Thatcher, his predecessor. *There is little talk* now *of trials for* "war crimes" and more emphasis on the assurance against attack that is on offer to Iraq if it gives up Kuwait unconditionally.

In those circumstances, Saddam's military strength would then be contained *by a mixture of sanctions and* the stationing of a largely Arab peacekeeping force.

While vehemently denying the possibility of linkage, the British prime minister has taken also to alluding frequently to the assumption that an Iraqi withdrawal would be *followed* by much wider peace efforts to resolve the Palestinian issue.

That said, Mr Major does appear genuinely ready – if obviously reluctant – to commit British forces to a grisly war to drive Iraq from Kuwait. What he cannot be sure of is that Saddam knows it.

John Major, the UK premier, speaks with Crown Prince Abdullah of Saudi Arabia yesterday shortly after arriving in Riyadh, the Saudi capital. Mr Major is on a four-day visit to the Gulf region, meeting leaders and British troops.



Crude oil prices rise on Saddam's remarks

By Deborah Hargreaves

OIL PRICES bounced back in a chaotic market yesterday as traders seized on President Saddam Hussein's remarks over the weekend to push the price for North Sea Brent crude oil up by more than $2 a barrel.

Crude for February delivery rose by $2.12 to reach $26 a barrel after a week when prices drifted down as prospects for peace in the Gulf improved.

President Saddam's insistence *that Iraqi troops* will not leave Kuwait has diminished the market's hope of a peaceful solution.

Oil prices had tumbled by a dollar on Friday when it was announced that Mr James Baker, US secretary of state, would meet Mr Tariq Aziz, Iraqi foreign minister, in the first high-level talks since the *crisis began*.

Mr James Fiedler, an oil trader with E.D.& F. Mann in New York, said: "There's a general feeling now that the war premium will come back into the market as January 15 approaches." Some traders believe that prices could move up by a dollar a day this week as the market focuses on war. *Oil prices dropped* by around $4 last week as hopes of a peaceful settlement took root.

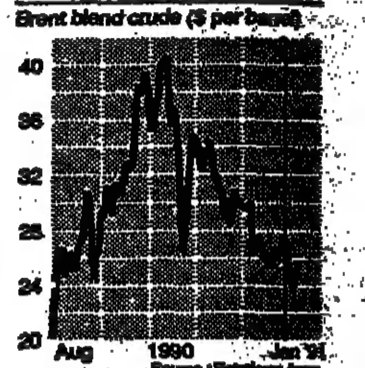
The New York Mercantile Exchange picked up yesterday, where more than 30,000 futures contracts had changed hands by mid-morning.

The New York futures price for West Texas Intermediate light crude for March delivery at one stage was up $2.56 at $26.80 a barrel.

While headline news will continue to direct sentiment in the oil market, traders are aware that supplies are more than adequate to cope with *current* depressed demand. They expect this to prevent prices from jumping rapidly to much more than $30 a barrel before a *shooting war begins*.

Oil price

Brent blend crude ($ per barrel)



Source: Petroleum Argus

British correspondents kept guessing by Saudis

By Our Foreign Staff

SAUDI ARABIA is expected to tell the UK shortly how many British journalists will be accredited to cover any conflict with Iraq.

Many newspapers, including the Financial Times, have experienced *difficulty over the* last month obtaining visas from the Saudi authorities. At a meeting in London with senior British journalists yesterday, UK Ministry of Defence officials said they expected a definitive word from the Saudis "within days, or even hours".

It seems unlikely, however, *that the supply of visas will* equal the demand for them. In that event, either the ministry or the newspaper industry itself will determine how they are apportioned. An allocation of one visa per press title would leave the ministry "reasonably content".

Should hostilities break out, the officials said, any vetting of reporting would take place on the ground and not in London. However journalists were yesterday issued with standard guidelines for the coverage of *conflict. These contain many* apparently restrictive provisions.

In Saudi Arabia itself, it is envisaged that four "media response teams," two attached to the army and one each to the air force and navy, will be established for TV, radio and press reporting with the frontline forces.

*Coverage from these seven-*person units will be "pooled," that is made available to all the media.

Regular daily briefings will also take place at larger media centres in Riyadh and Dhahran and possibly elsewhere in the Gulf, as well as in London.

Labour reopens debate over use of force

By Alison Smith

COMMENTS yesterday from Mr Gerald Kaufman, Britain's shadow foreign secretary, were greeted as signalling the possible end of a bipartisan approach to the Gulf crisis among the two main political parties in Britain, but Labour's policy is not as simple as *suggested by that reaction*.

While Labour is, reasonably enough, unwilling to say now what line it would take if fighting did break out in the Gulf soon after next week's deadline, Mr Kaufman's strong emphasis on sanctions may, ironically, yet give the opposition its best chance of remaining largely united while sup*porting British troops involved* if there is early action.

In a newspaper article yesterday, Mr Kaufman essentially expressed the argument he put in the last full-scale House of Commons debate on the Gulf, in mid-December.

It re-stated Labour's belief that the role of the United Nations is central to all actions *taken to resolve the crisis*, that the will of the UN should prevail, ultimately by force if necessary, but that January 15 is the deadline for Iraq to leave Kuwait, and not the trigger for the use of immediate force.

Yet Mr Kaufman's comment that "five months and 13 days – the period between the invasion and Tuesday of next week – cannot convincingly be argued to be the maximum time" for sanctions to work, is stronger than any previous signal about when Labour would believe force should be used.

His article also lacks the *caveats of previous statements*.

In December, for example, Mr Kaufman talked of bearing in mind how long the international consensus on sanctions could hold together, and spoke of the danger of sending the wrong signals to President Saddam Hussein. He also raised then the question of how long Saddam would believe that the *UN was determined to oust* him from Kuwait if sanctions remained the only instrument to secure his removal and force were not invoked.

Yesterday, however, he dismissed a question about the weakening of the deterrent effect if no military action was taken soon after the deadline. "We can't read Saddam Hussein's mind, can we?"

The constituencies which Mr Kaufman must address even among Labour MPs are varied. There are some MPs who would not support a war at any price, a few who sound more hawkish than the front bench, but many across both wings of the party, including senior figures such as Mr Denis Healey, who *believe* that sanctions need more time.

The political dilemma for Mr Kaufman is to try to keep that substantial strand of his colleagues on side, without leaving Labour in the invidious political position of not supporting the British troops in the Gulf if worst fears are realised and fighting does begin soon after mid-January.

His statements this week may well help him to do that. By continuing to make the case strongly for the sanctions option, he will at least have shown that he tried to ensure that the arguments were taken properly into account by those deciding about military action.

Such tactics may help to avoid an immediate prospect of Labour's having to face a public split within its own ranks.

Labour will also be helped by the fact that the ministerial reports to parliament are initially likely to be through statements and committee work, when they will be questioning the government, rather than by another debate.

New routes for airlines planned to avoid war zone

By Paul Betts, Aerospace Correspondent

SAUDI ARABIA has agreed to open a new air route across the so-called Empty Quarter in the *southern part of the kingdom* to enable commercial flights to avoid the Gulf region.

The new route, which will be open to commercial air traffic from Thursday, will run from Medina down to Muscat and up again to Abu Dhabi.

Saudi Arabia had refused up to now to offer this route for commercial flights despite repeated requests from the international aviation industry.

The new route suggests that Saudi Arabia could decide to keep the southern part of the kingdom open to commercial *aviation in the event of war.*

The International Air Transport Association (Iata), with the International Civil Aviation Authority (ICAO), the aviation technical agency of the United Nations, has also identified alternative flight routings for airlines operating between Europe and the Far East.

Apart from the new southern Saudi route, the main options include a route over the lower part of the Soviet Union and one avoiding the Arabian peninsula altogether.

Iata said yesterday that if the airspace of specific countries were closed in the event of war, alternate routing would be developed according to the *local situation*.

Airlines are facing increasing pressure to alter their flights to and across the Middle East from soaring war risk insurance rates and declining passenger demand.

A Lloyd's underwriter said the insurance industry is encouraging airlines to divert as much business as possible out of the danger zone. Insurance brokers have also advised airlines they would introduce an exclusion zone on or before the U.N. January 15 deadline.

Before January 2, insurance cover for an aircraft valued at *$50m (£25.90m) flying* to and from Tel Aviv, Bahrain and Cairo cost $6,250. Since then, it has soared to $125,000 at Tel Aviv; $100,000 at Bahrain and $37,500 at Cairo.

The increases in insurance cover have ranged from 500 per cent to 2,000 per cent, according to the value of the aircraft and the destination. Insurance rates are likely to rise further as the January 15 deadline approaches.

● Italy's state airline Alitalia is suspending flights to Israel for a week, making it the sixth carrier to halt service.

Nordic force to keep peace suggested

THE FIVE Nordic countries, led by Norway, yesterday presented Mr Javier Pérez de Cuéllar, the UN secretary general, *with a regional peacekeeping* plan for the Gulf which could be implemented after an Iraqi withdrawal from Kuwait, writes Karen Fossli in Oslo.

The plan calls for:

● Peacekeeping forces of Arab and Nordic soldiers to be stationed in Kuwait after the withdrawal;

● A high-ranking military observer group of Arab and Nordic officers to be positioned in Kuwait;

● Other support to help ensure the withdrawal of Iraqi troops from Kuwait and to ensure stability after the withdrawal;

● *Resources to help rebuild* the region.

Manoeuvres planned

Iran is to hold large-scale manoeuvres in the Gulf for a month starting next week, when the UN deadline runs out for Iraq to leave Kuwait or face war, Reuter reports from Cyprus.

The Iranian news agency IRNA said Tehran had advised Iraq of the manoeuvres which were "directly related to the presence of alien forces in the southern Persian Gulf waters."

Borders may close

Jordan's top relief official said that it may have to close its borders to Gulf war refugees if it does not receive millions of dollars in emergency aid, Reuter reports from Amman.

Japan cuts cash aid

Japan will not have the funds to help the allied effort in the Gulf until at least April, according to Mr Ryutaro Hashimoto, the finance minister, AP-DJ reports from Tokyo.

Shamir says Israel will not launch pre-emptive strike

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, the Israeli prime minister, yesterday assured a group of British MPs that Israel would not launch a pre-emptive strike on Iraq to forestall a threatened missile attack by Baghdad.

President Saddam Hussein of Iraq, in an effort to divide the Western-Arab alliance ranged against him, has said Israel would be the first target of Iraqi retaliation if the US-led forces in the Gulf take military action to oust Iraq from Kuwait after the January 15 United Nations deadline for a with*drawal*.

This has caused concern that Israel may act unilaterally to knock out the missile threat. However, MPs on visits by Labour and Conservative "Friends of Israel" groups who saw Mr Shamir said the prime minister made it "quite clear" Israel would not launch a pre-emptive strike.

According to Mr Peter Archer, Labour MP for Warley West, Mr Shamir said Israel would respond but did not say how. Mr Shamir added that he felt Arab allies of the US would understand Israel's position and an Israeli military response would not necessarily split the anti-Iraq alliance.

Some in the anti-Iraq camp, and in Israel, have suggested that even if Iraq were to attack, the Israeli government should moderate its military response to preserve unity among the US-led alliance.

Fears that Israel may be drawn into a Gulf war prompted the military authorities yesterday to announce the immediate distribution of gas masks to rural communities. These areas were previously due to receive them much later than urban centres, where distribution was completed some weeks ago. There was no indication that distribution would be carried out as originally prom*ised in the occupied territories*.

UN organisations were also understood to be preparing to move out dependants of their employees in Israel and surrounding territories.

Israeli media reported a surge of foreigners and some Israelis leaving the country.

Meanwhile, four Palestinians from the Hamas Islamic fundamentalist organisation dropped their appeals against deportation, saying the refusal of the military to show the court any evidence made their cases hopeless. Their decision paved the way for early removal from the country, the first time for more than a year that Israel has resorted to deportation, a policy criticised by the international community.

Masked Palestinians bear torches as they take part in "Fatah Day" celebrations yesterday in the university town of Beir Zeit on the West Bank.

Bond dealers uncertain of war's legal implications

By Tracy Corrigan and Simon London

THE APPROACHING deadline for Iraq's withdrawal from Kuwait is causing confusion over the legal position of underwriters in the international capital markets if war breaks out.

Underwriters hold newly-launched bonds until they are sold to investors. Their holdings could run into hundreds of millions of dollars, and they would face substantial losses if bond prices collapsed in the event of conflict.

International bond issues generally carry a *force majeure* clause in the underwriting agreements, designed to provide protection against certain events which would make bonds hard to place.

It is open to question whether the usual forms provide sufficient protection against war in the Gulf. The wording is broad, and can vary from one underwriter to another.

The outbreak of war in the Gulf has been referred to specifically in the *force majeure* clauses of several recent offerings, but most underwriters have not added such wording.

The problem with writing specific "war risk" protection clauses, separately from *force majeure*, into bond documentation is that there is no corollary in the currency and interest rate swap markets. Since many bond issues are driven by the existence of a profitable currency or interest rate swap, this would prevent most borrowers coming to the market.

Even if war does break out, it is not clear what level of disruption of financial markets allows the *force majeure clause* to be invoked.

If *force majeure* is invoked, "underwriters have the right to cancel [a bond offering], not the obligation," says Mr Cliff Dammers, a partner of legal firm Milbank Tweed. In practice, discussions normally culminate in the borrower withdrawing the deal.

International Capital Markets, Pages 24 and 25

Wakeham rejects disaster claim

By John Hunt, Environment Correspondent

MR JOHN Wakeham, UK energy secretary, yesterday rejected a claim that he was trying to conceal the extent of the environmental disaster that may be caused by Iraq setting fire to Kuwaiti oil fields in the event of a Gulf war.

It is understood, however, that the British government has called for a full report from the Meteorological Office on the environmental impact of the intentional ignition of the oil fields.

Mr Wakeham pointed out yesterday that Kuwait's reserves of 90bn barrels of oil could not be burned in this way. Rather, the 2m barrels of oil per day that are actually being produced would be at risk.

This, he emphasised, represents less than 4 per cent of current world oil consumption. Even if this amount were all burned, the current rate of global carbon dioxide emissions in the atmosphere would increase by less than 1.5 per cent. He repeated his assessment that suggestions of global environmental disaster are entirely misplaced.

Mr Wakeham was replying to Mr Tam Dalyell, Labour MP for Linlithgow, who had accused him of ignoring and misrepresenting the advice of his senior civil servants on the potentially catastrophic environmental impact of a war.

Mr Wakeham said that his statements on the subject had been based on the best technical advice from the energy and environment departments.

Last week a group of scientists at a seminar in London warned that the oil fields could burn for years and cause unprecedented environmental damage.

Iraqi helicopter crews defect

FOUR Iraqi helicopters landed in Saudi Arabia with Iraqi military defectors yesterday, US defence officials said, Reuter reports from Washington.

The officials said those aboard the helicopters said they wanted to defect, *apparently* from Iraqi forces occupying Kuwait, and the four aircraft were escorted to a base in eastern Saudi Arabia by F-15 jet fighters.

The officials, who asked not to be identified, gave no further details immediately.

"They (the helicopters) have been escorted to a Saudi air base," said one official. He said *he did not know if they were* escorted by US or Saudi F-15 fighter jets.

There have been published reports of up to 300 Iraqi defectors, most of who just walked across the border into Saudi Arabia since August, but yesterday's incident would be the first such major defection of Iraqis in the military stand-off in the Gulf.

The Pentagon has said that more than 530,000 Iraqi troops are now in Kuwait, invaded by Iraq *five months ago, and* southern Iraq. They are facing a US-led force of more than 580,000 western and Arab troops.

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EC brings joint venture within merger controls

By David Gardner in Brussels

THE EUROPEAN Commission yesterday brought joint ventures within the sphere of its merger control regulations for the first time.

It has cleared what it calls a "concentrative" joint venture between Mitsubishi of Japan and Union Carbide of the US of any anti-competitive taint in the market for carbon, graphite and related products.

This is both the first time that the EC's merger regulations have been applied to a joint venture – rather than a merger or acquisition – and the first Commission decision reached under the regulations involving two non-EC companies.

Mitsubishi has bought a 50 per cent stake in Union Carbide's carbon business, the UCAR Carbon Company and its 19 international subsidiaries.

The Commission ruled that control of UCAR rests with neither Mitsubishi nor Union Carbide, and that neither parent company remains active in UCAR's market either as producer or trader.

It is therefore a "concentrative" joint venture compatible with EC competition policy, with no "significant impact in the Community".

The "concentration" affects markets for graphite, carbon and related products.

The general framework of the merger regulations, adopted last year, covers link-ups valued at over Ecu5bn, ($6.85bn) or mergers and acquisitions in which each of the partners has more than Ecu250m in intra-EC sales. With yesterday's decision the Commission has underlined that joint ventures within this category will also be subject to scrutiny on competition grounds.

● In a separate decision, the European Commission cleared the purchase of Carimi, an Italian steel distributor by Usinor-Sacilor of France, the largest EC manufacturer of steel products.

The deal was being investigated because Usinor itself has a substantial distribution arm. Carimi is a medium-rank steel products distributor.

But Usinor's network has penetrated only a small part of the Italian market, the Commission judged, and will therefore "face competition from a considerable number of other steel distributors".

Election today could settle long-running battle for power at France's most distinguished daily

Le Monde faces up to a changed world

By William Dawkins in Paris

Le Monde

Founded shortly after the liberation of France, Le Monde has been managed like a cross between a workers' co-operative and an Oxbridge college

Founder Beuve-Méry

THE 275 journalist shareholders of Le Monde today face a stark choice which could end or prolong the worst leadership crisis in the 46-year history of France's most distinguished daily newspaper.

At a meeting this afternoon, they will decide whether to move with the times and accept Mr Jacques Lesourne, a 62-year-old economist and former consultant, nominated over their own choice by the majority of other shareholders as head of business and editorial operations.

While the battle for power at Le Monde has not exactly riveted the French nation's attention in recent weeks, it does demonstrate how one of France's most respected institutions is being forced to adapt to competitive pressures.

Founded by the late Mr Hubert Beuve-Méry in 1944, shortly after the liberation of France, Le Monde has traditionally been managed like a cross between a workers' co-operative and an Oxbridge college.

Its individualist tradition shows in Le Monde's usual – though not unswerving – independence from the government line, its intellectual rigour, the fact that, like no other French newspaper, it insists on coming out on afternoons only, dated the following day, and, less flatteringly, in its old-fashioned appearance. Tucked under the arm, it is an essential part of the uniform of the Parisian intellectual.

Until the latest crisis broke out a year ago, Le Monde looked set to stick to its usual practice of being managed by one of its own journalists, chosen by the editorial staff, a reflection of Mr Beuve-Méry's passionate will to escape the intellectual dishonesty and corruption prevalent in pre-war French newspapers.

That, at least, was how it happened until Mr André Fontaine, director since 1985 and the fourth to hold the post since Mr Beuve-Méry, announced that he wanted to retire at the turn of the year to write a book. Under the traditional system, the successor was proposed by the outgoing director or by his colleagues and had to win at least 60 per cent of journalists' support to consider the job in the bag.

The choice had additionally to be agreed by at least 75 per cent of all the shareholders. This used to be a formality – but no longer. With 32.3 per cent of the shares, the journalists represent a powerful minority, especially considering that another 16.1 per cent is in the hands of the director himself, his executives and other employees. Beuve-Méry family interests own 32.3 per cent, while the remaining 19.3 per cent is held by readers and industrial companies who helped Le Monde out of its last financial crisis in 1985.

In the event, the required majority of journalists accepted Mr Fontaine's own candidate, Mr Daniel Vernet, currently managing editor, after three rounds of voting in which Mr Vernet beat off challenges from Mr Jean-Marie Colombani, an editor-in-chief, and Mr Bernard Guetta, former Moscow correspondent.

But Mr Vernet's hopes were dashed last month when the other shareholders rejected the journalists' choice. According to a Le Monde executive, they felt they needed a professional manager to guide the perennially fragile newspaper through the recession. Mr Vernet won only 44 per cent of the overall votes, way short of a majority.

The non-journalist shareholders found their alternative candidate, Mr Lesourne, after a thorough search in the echelons of France's business elite.

Mr Lesourne, who ran Sema, a medium-sized software consultancy, for 17 years, has spent the past two weeks quietly chatting to Le Monde staff. They are generally complimentary about his approach and conscious of the need to end the uncertainty at what is a sensitive time in all newspapers' fortunes.

If Mr Lesourne does win this afternoon, he will immediately face some tough decisions. Le Monde swung from last year's FFr50m (£5.1m) operating profit into a small loss on sales of around FFr1.2bn last year, mainly due to the cost of building a print plant in a Paris suburb and moving into a modern headquarters.

Mr Fontaine has forecast that the fall in advertising revenues will bring a "very large" loss in 1991 unless Le Monde can make significant cost cuts, including the loss of 200 out of its 1,200 staff. Yet the flagship of French journalism cannot even start steering through the recession until a captain has been allowed on to the bridge.

Brussels sets Greek loan conditions

By Kerin Hope in Athens

GREECE HAS been told to submit detailed proposals for reducing tax evasion and eliminating thousands of civil service jobs in order to qualify for the Ecu2bn (£1.53bn) European Community loan it is seeking, a senior official said yesterday.

In a letter to Greece's acting economy minister, Mr Efthymios Christodoulou, the EC commissioner for macroeconomic affairs, Mr Henning Christopherson, also requested precise information on how the government intends to shrink the Public Sector Borrowing Requirement from 16.6 to 10 per cent of Gross National Product in the next two years.

The EC loan is seen as crucial in Greece's efforts to turn around its deficit-plagued economy. It is urgently needed to help cover a current account deficit expected to total $3.2bn (£1.65bn) for 1990. It would also provide a useful guarantee of creditworthiness as Greece goes to the market for an estimated $3.6bn of foreign borrowing in 1991.

The government had hoped that regular consultations with European Commission officials while the 1991 budget was being prepared would ensure the loan was swiftly approved.

But the finance ministry failed to produce convincing figures on new sources of revenue, such as taxing farmers and selling government bonds redeemable in plots of building land, the official said.

The government was also seen as lacking the determination to crack down on tax evasion by self-employed professionals, mainly doctors and lawyers, he added.

In his reply Mr Christodoulou is expected to detail new revenue collection procedures, and accept the EC proposal for a 10 per cent cut in public sector staffing by the end of 1992, which would mean the dismissal of up to 60,000 Greek civil servants.

The government hopes the EC loan would then be approved by the Community's finance ministers later this month.

Hungary draws up foreign fund

Hungary is drawing up a 1.5bn forints ($24.70m) investment promotion fund to support foreign companies and joint ventures doing business there, the MTI news agency says, Reuter reports from Budapest.

The fund will finance infrastructure improvements and will initially benefit companies based in the provinces. Grants of up to 10 per cent of an investment project's value will be awarded to ventures with at least 200m forints capital, it said.

Companies that introduce new technology in areas such as telecommunications, electronics, bio-technology and the car industry will be given priority when the money is allocated.

Unemployment rise slows in Poland

The rise in unemployment in Poland last month was the smallest since the country ditched communism and began shifting to a free market system, the Labour Ministry said yesterday, Reuter reports from Warsaw.

An official said 1,124,753 people, or 8.3 per cent of the workforce, were registered as jobless on December 31 after a jump of 35,700 in the month. The increase has slowed each month since July when it peaked at 131,100.

Turkey urged to free protesting miners

Two international trade unions representing more than 8m workers urged Turkey yesterday to release coalminers arrested during a peaceful protest march for demand higher wages, Reuter reports from Brussels.

"We demand the immediate, unconditional release of all the detained strikers," said the International Federation of Chemical, Energy and General Workers' Unions and the Miners' International Federation.

"(We also demand) a guarantee that no further repressive measures will be used against them or their leaders. We reserve the right to lodge a complaint with the International Labour Office against the Turkish government if the repression continues," it said.

Baltic Sea conference

Parliamentarians from around the Baltic Sea began a conference on Monday on closer cooperation in the region now that the Cold War is over, Reuter reports from Helsinki.

Some 120 delegates from the Nordic countries, the Soviet Union, Germany and Poland are attending the three-day meeting in Helsinki hosted by the Finnish parliament.

During almost 10 hours of debate on environmental, economic, cultural and political topics, they will discuss ways to forge new regional links, organisers said.

Soviet representation included delegations from the state Supreme Soviet, the Russian Federation, the Karelian autonomous republic bordering Finland and the three Baltic republics, which are seeking to regain their independence.

Debate about the situation in the Soviet Baltic republics was not on the agenda but conference secretary-general Pertti Joenniemi said: "I don't think one is able to prevent that."

ORTHODOX Christmas was celebrated as a public holiday in Moscow yesterday, for the first time in more than 70 years, Reuter reports. Orthodox and other eastern rite churches celebrate Christmas two weeks after the rest of the Christian world. The day was an official holiday in the Russian Federation, and in the Ukraine and Moldavia, two other areas where the Orthodox faith is strong. Thousands of believers flocked to churches. The women above were pictured at a service in Yerevan in Soviet Armenia. Offices and factories in Moscow were closed and only one morning newspaper was published the Communist party daily, Pravda. A Christmas tree was lit in Red Square for the first time.

Bonn expected to extend support for short-time working

THE BONN government's support for people on short-time working in east Germany, due to expire at the end of June, is almost certain to be extended until the end of the year, according to a report in today's Die Welt newspaper, writes David Goodhart in Bonn.

The number of unemployed in east Germany now stands at about 600,000 with a further 1.8m on short-time working. According to the latest study from the IDW economic institute, a total of 3.7m jobs will be lost in east Germany by 1992, nearly 40 per cent of the workforce, and 1.2m east Germans will have found work in west Germany.

Under the short-time working regulations, the Bonn government pays the unemployment benefit level (68 per cent of previous wages for married and 63 per cent for single workers) for the non-work periods. These now account for more than 50 per cent of working hours for nearly half of the 1.8m short-time workers.

Some industries have agreed to top up the state money to 90 per cent of normal wages. Those industry supplements, plus the metal industry no-sackings agreement, are not expected to be renewed when they expire at the end of June.

Continuing the short-time working regulations will cost Bonn several billion D-Marks, but it is arguably cheaper than allowing unemployment to soar. Actual unemployment for the whole of Germany is, in any case, expected to reach about 3.5m by the end of this year.

● Chancellor Helmut Kohl yesterday resumed negotiations on forming a new government with his coalition partners, still uncertain as to when he will formally be re-elected chancellor of Germany, Reuter adds from Bonn. Mr Kohl's conservatives and their liberal allies won a landslide victory in all-German elections on December 2, but squabbling over future policies and ministerial posts has delayed formation of a new cabinet.

Finance minister, Mr Theo Waigel, leader of the Christian Social Union (CSU), said plans to re-elect Mr Kohl as chancellor on January 17, three days before state elections in Hesse, could be delayed because negotiations might not be completed. "I think this is certainly possible ... but it could be that we need another week," he said.

Banks lend less to eastern bloc

By Stephen Fidler, Euromarkets Correspondent

MORE EVIDENCE has emerged of the pull-back of international banks from lending to the Soviet Union and the economies of east Europe in figures from the Bank for International Settlements.

Bank claims on the Soviet Union dropped by $3.5bn (£1.81bn) in the first half of last year, according to the forum for central banks. Loans to the whole of the formerly communist east European bloc, excluding Yugoslavia, fell by $5.1bn in the same period, reversing the $3.3bn increase in the previous six months.

Short-term claims on the Soviet Union, Hungary and Czechoslovakia – loans of less than one year – all declined by $3.5bn, $0.8bn and $0.3bn respectively, suggesting they were unwilling or unable to refinance maturing debt by raising new loans from banks.

Lending commitments made to the region but not disbursed also declined, the regular report on Maturity and Sectoral Distribution of International Bank Lending said.

Banks reporting to the BIS were owed $40.6bn by the Soviet Union at mid-year, $10.1bn by Poland, $11.2bn by Hungary and $5.1bn by Czechoslovakia. The total for the region, including east Germany, was $92.4bn.

The figures also show a record decline of $22.8bn, or 13 per cent in banks' outstanding claims on Latin America.

Banks' claims on Brazil contracted by $6.2bn.

Banks shy away from trade finance, Page 4

Spirit of Hoxha lives on in Albanian election programme

By Judy Dempsey

ALBANIA'S ruling Party of Labour (APL) will invest more in the economy, new technology and the expansion of public services, according to its programme for the February 10 elections.

But it has few intentions of dismantling the state or introducing widescale private property in industry or agriculture, nor will it dismantle the legacy of the late Enver Hoxha.

Hoxha founded the Communist party after the war, and pursued a policy of self-imposed isolationism following a break in relations with the US and Britain, and later the Soviet Union and China.

With just four weeks left before Albanians vote in the first multi-party parliamentary elections for more than 50 years, the programme is clearly aimed at reassuring the peasantry and the large bureaucracy that change will be gradual.

A solemn tribute paid to Hoxha in the programme suggests President Ramiz Alia, head of the APL and Hoxha's chosen successor, is not yet ready to break with the past.

"To the APL, with Comrade Enver Hoxha at the head, belongs the historic merit of providing the people with a political programme which gave the possibility to Albania, a tiny and backward country, to detach itself once and for all from the semi-feudal economic and social structures of the past, to usher on the road of industrialisation, economic-cultural development," the party's electoral programme states.

The APL's confidence about controlling the political agenda during the election campaign, and afterwards, is confirmed by a new draft constitution which was published at its behest earlier this month.

The constitution, which will be presented to the country's new parliament after the elections, and only then be promulgated, pledges that Albania "is a People's Socialist Republic".

Even the constitution's preamble remains unchanged: "The Albanian people has blazed the trail of history, sword in hand." This implies that the country's long fight for independence will not be easily compromised.

Yet despite the APL's commitment to retaining the socialist character of the state, significant changes are contained in the constitution. Freedom of religion is guaranteed (Hoxha proudly announced in 1967 that Albania had become the first atheist state); individuals will have the right to travel abroad; foreigners will be permitted to invest in the country; the rule of law will be strengthened.

But similar to the APL's electoral programme, the authors of the constitution, the first new draft since 1946, are cautious about the introduction of private property on a wide scale. Enterprises will continue to be controlled by the state, but will be granted economic independence. Land will remain in the co-operatives but provisions will be made for "other forms of ownership", including private property.

The Democratic Party, the country's only independent party, bases its electoral programme on the need for radical economic reforms. But the party, which was founded on December 12, is inhibited by a media tightly controlled by the state, and remains constrained by the short amount of time with which it has to organise itself before February 10. Leaders of the Democratic Party have demanded postponement of the polls until May.

GREECE SAID yesterday that the influx of Albanians into its territory had slowed, Reuter reports from Athens. Authorities in northern Greece said about 40 refugees crossed the border during the day, the smallest number in the past 10 days during which more than 4,000 Albanians have come across on foot. A government spokesman said a team from the UN High Commission for Refugees would visit northern Greece to assess the needs of the refugees, most of them ethnic Greeks. He added that the government planned to invest in southern Albania.

Economy casts a shadow over Sweden's government

The budget could be the last chance for the ruling party to regain lost ground, writes Robert Taylor

THE SWEDISH budget, to be presented on Thursday, provides probably the last opportunity for the country's ruling Social Democrats to seize the initiative in this general election year.

The party, which is suffering an all-time low in popularity, has just nine months left in which to stage a revival and avoid catastrophe.

But Mr Allan Larsson, the finance minister, will find it hard to offer much cheer to the voters, given the tough task he faces in reviving the ailing economy. Most of the economic indicators suggest that this year Sweden could suffer its sharpest downturn since the early 1930s.

The latest OECD world economic outlook, published at the end of last month, pointed to continuing high interest rates and a slump in investment in 1991. It suggests that this would be coupled with an actual decline in gross domestic product, rapid growth in unemployment, persistently high inflation of over 10 per cent, a drop in industrial production and a further deterioration in the country's balance of payments deficit.

Only in 1992 does the OECD expect any improvement in the Swedish economy, and most of the country's forecasters agree with this bleak prognosis.

The economic gloom is adding to uncertainty about the country's political future after the September 15 general election. Many Swedes still find it hard to believe the party's 60 years of domination could be drawing to a close. But there is now an increasing probability that a non-Socialist coalition government will come to power in the autumn.

The ruling Social Democrats, led by prime minister Ingvar Carlsson, can be expected to fight all the way. After this week's budget, they plan to launch a political offensive on a programme agreed jointly between the party and its powerful blue-collar union allies.

With as many as 20 per cent of voters still undecided about how they will vote in the autumn, Social Democrat strategists are convinced they can still recapture the lost ground, even though it is desperately late to stage a recovery.

The latest opinion polls suggest that the Social Democrats can expect to secure no more than 30-32 per cent of the vote, compared with the 43.2 per cent they won in the 1988 general election. The party has not polled such a low figure since its formative years in the early 1920s.

The Social Democrats have lost support heavily in the cities among young people and blue-collar workers, mainly because of the deterioration in the economy. Many people also feel that the ruling party has lost touch with feelings in the country.

The party may also find it harder now to persuade the floating voters that Sweden has no real alternative to Social Democratic power.

The brief period of non-Socialist governments between September 1976 and September 1982 was unsuccessful and helped to convince the electorate that it needed the competence of Social Democrats. But a credible political alternative has emerged since the autumn, with the two main opposition parties – the Moderates and the Liberals – now united on the key issues.

In October, Moderate party leader Carl Bildt joined forces with Liberal leader Bengt Westerberg in sketching out a common agenda for government. If they succeed in forming a coalition in the autumn, their plans would include:

● An immediate Swedish application to join the European Community

● A cut in the heavy tax burden as well as curbs on public expenditure to bring Sweden more into line with the rest of western Europe

● A shake-up of the welfare state through increased private competition

● Measures to strengthen share ownership and personal savings as well as a "rational" energy policy to keep prices competitive.

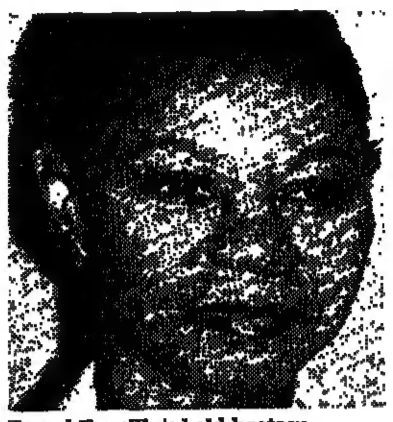
The Moderates and Liberals are unlikely to be able to secure a parliamentary majority in September, although at present they could expect to gain around 40 per cent of the vote, mainly due to an impressive growth in Moderate support to nearly 29 per cent of the electorate. However, they may be able to rely on support from the Christian Democrats, who look likely to be represented in parliament for the first time, and possibly from the wayward Centre party, which says it wants to see a non-Socialist government in the autumn and now favours free market policies.

Those four parties together could poll between 55-60 per cent of the vote in the general election, giving them a comfortable combined parliamentary majority.

This may look easier to achieve on paper than in reality. The unpopular measures which Mr Bildt believes are necessary to revive the Swedish economy after September could well split the non-Socialist forces. And that would increase the dangers of political fragmentation, with the prospect of as many as eight separate parties in the next parliament.

AMERICAN NEWS

Aristide: downplayed his views



Pascal-Trouillot: held hostage

Death knell sounds for Haiti's far-right

Canute James on how the army fell in line with the mood for political reform

THE *short and unhappy* rule of Mr Roger Lafontant, whose coup in Haiti collapsed yesterday, indicates a growing mood for political reform in the Caribbean republic of 6m people, rather than just continuing instability.

Haiti is not unaccustomed to the removal of governments by *force*. Mr Lafontant's "provisional presidency", the sixth government in just under five years, lasted 11½ hours. It was ended by an army which in the past *has been involved in* coup d'états, suggesting the country's ultra-conservatives, loyal to the Duvalier dictatorship which was overthrown in 1986, have played their last card.

Mr Lafontant sought both to overthrow the provisional government of Mrs Ertha Pascal-Trouillot, holding her hostage, and to prevent the installation of president-elect Father Jean-Bertrand Aristide. Shortly after last month's presidential elections, Mr Lafontant said publicly he would not *allow Fr Aristide to enter office*.

Yesterday's coup attempt was carried out by rightist thugs loyal to Mr Lafontant and to the former dictatorship. They represent the remnant of *the Tontons Macoute, the praetorian* guard of the 30-year-long Duvalier regime who are feared by most Haitians because of their reputation for brutality.

In attempting to topple the interim administration of Mrs Pascal-Trouillot, Mr Lafontant claimed that last month's elections were fraudulent, that only a minority voted for Fr Aris*tide, and that* the aim of the coup was the restoration of democracy.

The wave of public protests which greeted the coup, however, supported the conclusions of hundreds of foreign observers of the election that, although there were administrative and logistical problems, the vote was free and fair. *According to election* officials, Fr Aristide received two out of every three votes.

Mr Lafontant also appears to have miscalculated his support from an army *in which several senior officers* share his sentiments. The early claim that the army backed the coup was contradicted by a statement from the office of General Herard Abraham, *chief of staff*. In condemning the coup, the army said it would restore democracy.

Mr Lafontant also appears to have misread international – particularly US – attitudes to Fr Aristide. The priest's pronouncements on political and economic matters had led sec*tions of the US administration* to conclude privately what Mr Lafontant said publicly – that Fr Aristide was a communist and was bad for Haiti.

It appears to have escaped Mr Lafontant that the priest later downplayed many of his views, starting a thaw between the president-elect and Washington.

Clearly aware of the danger from *the right*, the *US administration* had called for the election to be respected. The quick condemnation of yesterday's coup by the US State Department and the French government will have disabused Mr Lafontant of any notion that his actions had international support.

A government formed by Mr Lafontant would also have been isolated by Haiti's Caribbean neighbours which, for the past three years, *have been deeply* involved in efforts at political reform.

By all indications, yesterday's coup was motivated less by Mr Lafontant's concerns over the integrity of the election *than by concern for his* future and anger that he had not been treated fairly in his attempt to gain political office.

When he returned to Haiti from *exile last year the former minister* faced an arrest warrant. He has been linked with several acts of political violence, including the murder in 1987 of 34 people waiting to vote in an election, *which was subsequently* aborted.

But Mr Lafontant appeared in public with impunity while the government, the army and the police, clearly worried about a violent reaction from the Tontons Macoute, failed to execute the warrant.

His political ambitions were frustrated, however, by the elections council, which rejected an application to stand as a candidate for the presidency.

Although he would have been barred by the constitution, which prevents close associates of the Duvaliers from seeking public office, Mr Lafontant was rejected because his papers were *not in order*.

His anger was compounded by fear when the size of Fr Aristide's popularity was revealed in the election. The priest has been the subject of assassi*nation attempts* blamed on the Tontons Macoute.

Fr Aristide said one of his first acts on taking office would be to ensure Mr Lafontant's arrest. "He does not respect any type of law, and according to the law he will have to be arrested," Fr Aristide promised.

It is this pledge which appears to have convinced Mr Lafontant a pre-emptive strike was necessary. Ironically, he has given Haitian authorities an opportunity to deal definitively with him and his supporters.

Serrano pledges to end Guatemala civil war after poll win

By Tim Coone

MR Jorge Serrano Elias, a *conservative businessman, has* won by a wide margin Sunday's run-off elections for the Guatemalan presidency.

With about two-thirds of the vote counted, Mr Serrano, of the centre-right Solidarity Action Movement (MAS), had 68 per cent against 32 per cent for Mr Jorge Carpio, of the National Union of the Centre (UCN).

The final results may show a slightly narrower margin once returns from remote rural areas have been counted, as the UCN has the strongest support in rural areas.

However, as pre-electoral polls forecast, Christian Democrat (DCG) supporters, whose candidate was eliminated in the first presidential ballot last November, *have apparently* thrown their support behind Mr Serrano rather than Mr Carpio. The DCG has a powerful party structure in the coun*tryside*.

Abstention has been as high as 50 per cent, and even higher in some rural areas.

Mr Serrano claimed victory *late on Sunday night, promis*ing to end the 35-year civil war in Guatemala and improve his country's international standing by guaranteeing respect for human rights. "We must embrace peace and national reconciliation and go forward together to save Guatemala," he said.

According to international human rights organisations more than 130,000 people, many of them Indians from rural communities, have been killed by the security forces or have "disappeared" during the past 35 years.

Mr Serrano has been a key figure in the peace talks held with left-wing guerrillas over the past three years, and is generally respected by both right and left as an honest broker.

The one blot on his political record was his participation as a cabinet member in the government of General Efrain Rios *Montt from* 1982-83. *Some of* the worst human rights violations occurred in Guatemala during Gen Rios Montt's rule.

Mr Serrano, 45, is an engi*neer* and social scientist, and has studied in the US and Sweden. He is to take office on January 14.

It will be the first time since *Guatemala's* independence from Spain in 1821 that one civilian president hands over *power* to another elected civilian.

Jorge Serrano (right) and vice-president elect *Gustavo Espina* after their victory in Guatemalan presidential elections

Bush backs Yeutter for party post

PRESIDENT George Bush will *recommend Mr Clayton Yeut*ter, agriculture secretary, to replace the ailing Mr Lee Atwater as chairman of the Republican National Committee, the White House said yesterday, AP reports from Washington.

"You're going to see an aggressive campaigner," Mr Marlin Fitzwater, White House spokesman, said in announcing Mr Bush's decision. Mr Yeutter, 60, has little political experience.

Officials said on *Friday that* Mr Yeutter was Mr Bush's choice. Although the president had refused to confirm the decision at a brief news conference at the time, he voiced confidence in Mr Yeutter.

Mr Bush's first effort to name a new Republican chairman proved an embarrassment when Mr William Bennett, a former drugs policy director, first accepted the offer but then turned it down, citing financial restrictions.

White House warns of Soviet summit delay

By Lionel Barber in Washington

DISPUTES over arms control issues and the threat of a Gulf war may delay next month's Moscow summit between Presi*dent George Bush and Presi*dent Mikhail Gorbachev, the White House said yesterday.

The two leaders had been expected to sign a Start treaty *limiting long-range nuclear* missiles during the meeting, scheduled for February 11-13.

The threat to the summit comes amid concern within the Bush administration over the political turmoil and conservative drift in the Soviet Union, *highlighted* yesterday by the dispatch of Soviet paratroopers to the Baltic states to enforce the military draft.

Mr Marlin Fitzwater, White *House spokesman, said the US* still intended "at this point" to proceed with the Moscow meeting. But he singled out for criticism Moscow's failure to resolve a dispute over the newly signed treaty on conventional forces in Europe (CFE).

The US has accused Moscow of attempting to circumvent the treaty by moving some weapons out of the zones covered and by reassigning other weapons to the navy, which is not subject to the accord.

Mr Fitzwater went further by suggesting that until the CFE dispute was resolved, the US was unwilling to complete a Start treaty. Many members of Congress, which is responsible for ratifying the CFE treaty, support this.

Mr Fitzwater reacted cautiously to the Soviet deployment in the Baltic, but he reaffirmed US policy opposing the forcible incorporation of the republics into the Soviet Union.

Argentina and Chile in oil venture

CHILE and Argentina, which almost went to war in 1978 over three islands at the two countries' southern tip, are to *exploit jointly oil and natural* gas reserves in Argentine waters east of the Straits of Magellan, writes *Leslie* Crawford in Santiago.

The agreement, signed in Buenos Aires last week, is an indication *of* how far relations have improved since the Beagle Channel territorial dispute was solved with Papal mediation in the early 1980s. *It* is also the first concrete result of an economic integration accord signed last August.

Enap, the Chilean state oil company, will control drilling and extraction in a 408 sq km area with estimated reserves of 3.8m cu m of oil and 8.4bn cu m of natural gas. It will invest $170m (£90m).

Its Argentine counterpart, Yacimientos Petroliferos Fiscales, will take a 50 per cent share of profits once Enap has recouped its investment.

Canadians begin to chart constitutional future

AN AMBITIOUS exercise in *grassroots democracy starts* in Canada today with the opening session of a 12-member commission which is seeking to determine popular opinion on the country's future constitutional shape, writes Bernard Simon in Toronto.

Through small discussion groups convened in venues as diverse as church basements and trade union halls, the Citizen's Forum on Canada's Future aims to hear the views of up to a million Canadians before it issues its report next summer.

The forum, led by Mr Keith Spicer, a former Ottawa newspaper editor and commissioner of official languages, was set up by *Mr Brian Mulroney*, the prime minister, following the collapse of the Meech Lake constitutional accord last June and the subsequent rise of separatist sentiment *in Quebec*. None of the group's members are politicians.

Although the economy has recently emerged as a more pressing public concern than *the constitution, fears have* grown in English Canada that Quebec nationalists are setting the political agenda.

Looser ties between Quebec *and Ottawa – and in many* cases outright independence – were favoured by a majority of witnesses who appeared over the last two months before the *Belanger-Campeau commis*sion, set up by the Quebec government to consider the francophone province's options. The commission is expected to issue its report by the end of March.

The provinces of Ontario, Alberta and New Brunswick have also formed groups to test their residents' feelings on the country's political future, and to serve as springboards for their demands in future constitutional negotiations.

The forum has trained staff *to visit senior citizens' homes*, schools and other community centres in an effort to stir up debate. It has also installed a hot-line for telephone callers.

WORLD TRADE NEWS

Moscow and Bonn sign maritime pact

GERMANY and the Soviet Union yesterday signed a maritime shipping agreement which took 17 years to negotiate, Mr Friedrich Zimmermann, the German Transport Minister, said, Reuter reports from Bonn.

The pact assures Soviet and German ships equal treatment in each other's ports in a period of growing bilateral traffic and creates a body to sort out any practical problems arising from shipping, he said.

An accord on river shipping, which would allow Soviet ships to use the Main-Danube canal when it opens in 1992, was expected to be signed soon, Mr Zimmermann added. The canal will permit vessels to use waterways across Europe from the North Sea to the Black Sea.

It was also announced yesterday that Afghanistan is to resume exporting natural gas to the Soviet Union within a few months.

There are thought to be rich gas deposits in many parts of northern Afghanistan, from where gas used to be exported to southern Soviet Union through a pipeline.

The exports halted when *Moscow withdrew its forces* from Afghanistan in February 1989. "Security of the pipeline was the main reason for the stoppage," a senior Afghan source said.

A spokesman said that Soviet experts are already in the northern city of Mazar-i-Sharif to restore the system.

Six groups vie to build smelter in Venezuela

SIX *international business* groups, including Tata of India, Alcoa of the US, and Mitsubishi of Japan are bidding to build a $1.1bn (£560m) *aluminium smelter in Vene*zuela, R.C. Murthy reports from Bombay.

The smelter is to be located at Puerto Ordaz, Venezuela, using *electricity from the* nearby Guri Dam. It is one of the three aluminium smelters which Venezuela plans to set up. Mr Darbari Seth, chairman *of Tata Chemicals, contends* that the company's offer had an edge over its competitors, since only two-thirds of the total project cost will be in foreign currency.

Tata intends to export about $500m-worth of equipment and services from India for the project. The successful bidder *will have a right to sell over*seas 51 per cent of metal produced at the smelter.

The Venezuelan government is to award the contract inside *a fortnight, and the plant is to* be built within 36 months from the starting date.

● SPAIN'S state-owned Industrias Mecanicas del Noroeste-Imenosa has won a Pta 19bn (£103m) contract covering engineering work and equipment for a phosphate mine at Sidi Chennane, Morocco, it said yesterday, Reuter reports from Madrid.

*It leads a consortium includ*ing *Dragados y Construcciones* of Spain and Krupp of Germany. The project is to be completed in 32 months.

Estonia starts search for joint-venture models

But independence could cut it off from a vast Soviet market, **Enrique Tessieri** writes

IT SHOULD come as no surprise that after 50 years of Soviet rule, Estonians as well as Latvians and Lithuanians consider foreign ownership of their land and industries a sensitive issue.

Finnish business leaders, who have set up some 56 joint ventures in Estonia since 1987, believe Estonian independence could even be a negative factor, since it would close their enterprises off from vast Soviet markets.

Mr Ulf Rönnholm, general manager of Sadolin, the Swedish Finnish-based paint company, which set up the first joint venture company *in* Estonia and the Soviet Union in 1987, believes Estonians and the rest of the Soviet Union still do not fully understand foreign investment.

"It is a general policy in Estonia and the rest of the Soviet Union, down to municipal level, to impose restrictions. We *have* not tried to increase our stake within EKE-Sadolin (the Finnish-Estonian joint venture paint company) by more than 50 per cent, since we know *such a step would be* seen by Estonians as a nationalistic issue," Mr Rönnholm explained.

It is no secret that Estonia has been looking at Finland and Sweden as models for building new institutions as well as drafting legislation. Close language and cultural ties link both Finland and Estonia. Since the second world war, some 42,000 Estonians have moved to Sweden.

Finland, which probably has one of the strictest laws against *foreign investment* in western Europe, continues even after 73 years of independence to be traumatised, like Estonia, by its experience of Soviet relations.

Even if Finland "has a favourable attitude" towards foreign investment, restrictions on foreign capital are regulated by a Restricting Act of 1939, forbidding foreigners from competing within key sectors such as forestry, shipping, real estate, transportation, *mining, refining and securities* trading. Equity ownership of Finnish companies is limited to 20 per cent and under special permission, up to 40 per cent.

If Sweden also has strict laws against foreign investment, it seems shortsighted for Estonia to look at Helsinki or Stockholm as models for foreign investment.

Both Sweden and Finland may apply for EC membership soon, and this would signify an end to much of these anti*quated curbs*.

Mr Sven Papp, a Stockholm-based lawyer who has sat on committees drafting laws on privatisation, agreed that gain*ing full independence* from Moscow would not imply automatic transfer of Estonia's industry from Moscow to western hands.

"I would like to stress that even if we have legislation which limits foreign ownership within joint stock companies to 50 per cent, Estonia takes a favourable attitude towards foreign investment. Our economic situation gives us no other choice," Mr Papp said.

On November 23, 1989, the Estonian Government approved a 10-page decree on joint stock companies, which came into effect this year. Article II, Section 9 states that non-Estonians cannot own more than 50 per cent of a joint *stock company* without special permission from the Estonian Government.

The Estonian Chamber of Commerce and Industry, the *first chamber in the Soviet* Union to break from Moscow, says that at the end of September there were 5,600 enterprises in Estonia, of which *most – 51 per cent* – were state-owned, 32 per cent co-operatives, 5 per cent joint stock companies and 1.4 per cent joint ventures.

Even if curbs on foreign-owned equity seem to limit outside ownership of Estonian enterprises, such laws also allow the Tallinn Government *to monitor who owns what*, and to keep local industry in Estonian hands. Land ownership is also a sensitive issue for the Estonians.

Apart from nationalism, many analyst agree that one of the biggest legal problems now facing foreign investment in Estonia is which law, Estonian *or* Soviet, has precedence.

One example of how Estonian and Soviet legislation conflict, adding to uncertainty over joint ventures, concerns taxation. While Soviet law grants joint-venture companies a two-year tax "holiday", Estonian laws do not. Mr Rönnholm says: "I do not see this discrepancy as a big issue. The biggest problem for foreign joint ventures is to secure raw material in the future." He saw land ownership as an important priority for foreign companies.

The Tallinn government is trying to draft legislation on privatisation and a Uniform Companies Act aimed at standardising decrees on joint stock companies, enterprises and co-operatives into one law.

Mr Papp claims the privatisation decree should have been passed last November. "I feel we will be able to draw up something early this year. We are watching the east German privatisation process closely."

Although privatisation is proving a difficult legal issue in Estonia and other parts of the Soviet Union, the Estonian Government has worked out a *framework for privatising com*panies in services, trading and catering which do not have an equity base exceeding Roubles 500,000.

Clearly, *switching* Estonia to a market economy offering secure and favourable incentives to *foreign* investment will take time, though less than in other parts of the Soviet Union.

But Estonian nationalism, creating further problems with Moscow, can easily backfire, considering Europe is trying to dismantle barriers and lift restrictions through the Single Market. The Baltic republics, too, face tough competition from countries such as Mexico and Thailand, also vying to attract scarce foreign capital.

Estonian exports 1989
(in per cent)

Capitalist countries (total:R53.6m)	
Finland	39
West Germany	19
US	13
Sweden	8
Portugal	6
Hong Kong	4
Other	10
Socialist countries (total: R78.6m)	
Cuba	21
Poland	20
Mongolia	13
Czechoslovakia	12
Hungary	10
Bulgaria	8
Romania	8
East Germany	5
other	3
Developing countries (total: R9.0m)	
Afghanistan	31
Pakistan	18
Nicaragua	13
Iraq	11
Sierra Leone	9
Other	18

Source: Estonian Chamber of Commerce and Industry

OECD credits rates

The Organisation for Economic Co-operation and Development yesterday announced new minimum interest rates for officially-supported export credits (*December rates in brackets*):

D-MARK 10.12 per cent (10.10);
FRENCH FRANC 11.43(11.49);
GUILDER 10.15 (same);
ITALIAN LIRA 12.96 (12.69)
YEN 7.60 (7.90);
PESETA 15.54 (15.50);
STERLING 11.96 (12.21);
SWISS FRANC for credits of less than eight years 8.30 (same); for credits of more than eight years 8.55 (same);
US DOLLAR for credits of up to five years 8.63 (8.92); for credits of over five years 9.03 (9.32).

These rates are published *monthly* by the Financial Times on the second Tuesday or Friday of each month, whichever is sooner. They apply to all export credits, except that on those to middle-income and poor developing countries the OECD matrix rate can be used if it is lower. This is a standard set of rates reviewed twice a year (January and July).

NEC and Mitsui win Y880m Uzbekistan satellite deal

JAPAN'S NEC and Mitsui companies have won an Y880m (£3.41m) order for an Intelsat earth station from the central Soviet republic of Uzbekistan, *NEC said yesterday*, **Reuter** reports from Tokyo.

This is the first time a Soviet republic has ordered such a station. The Soviet Union has three Intelsat earth stations in Moscow, Kiev and Leningrad.

The earth station, to be installed by the end of this year in Tashkent, will enable Uzbekistan directly to use cir*cuits of the* Washington-based Intelsat (International Telecommunications Satellite Organisation)

NEC recently won a Y300m order for a Eutelsat earth station from Yugoslavia jointly with Mitsui.

The Yugoslav deal came after it won a Y1.5bn order for an Asiasat earth station from Mongolia jointly with Sumitomo. *NEC said*.

● A Japanese, US and Italian consortium expects to win an order from the Soviet state-owned petrochemical company Wespec to build a petrochemical plant, Mitsui said.

The consortium comprises Mitsui, Mitsubishi, Toyo Engineering and Mitsui Engineering and Shipbuilding, Lummus *Crest of the US and Tecnimont* of Italy, Mitsui added.

Construction will begin by year-end at a cost of $2.2bn (£1.13bn). The plant will be built in Tobolsk, in western Siberia.

Caribbean concerned over Bush initiative on free trade

IN THE first half of this year Belize's exports of citrus concentrate grew by 20 per cent, with more than a half of the exports *entering* the US without import duties. Belize's citrus concentrate is one of the products allowed duty free under a special trade programme for Central America and the Caribbean, writes Canute James.

Belizean officials fear that the competitive advantage they have through preferential access to the US *market* could be lost. "If we are put in the position of having to compete openly *with producers such as Brazil*, our industry could be damaged," said one government official. The likelihood of this open competition is contained in President George Bush's proposal, called the Enterprise for the Americas Initiative, and which envisages a free trade area stretching from Alaska to *Tierra del Fuego*.

Central American and Caribbean governments are not averse to the proposal. Indeed several states in the region have themselves been adopting *more liberal policies aimed at deregu*lating their economies, and are party to efforts to create common markets in Caribbean and Central America.

The initiative has created some concerns for the lesser developed countries of Central America and the Caribbean, said Mr Ramon Medina Luna, *the economy and commerce* minister of Honduras. Mr John Compton, the prime minister of St Lucia, conceded *that* the president's proposal was "a positive and welcome idea" which could be valuable to the hemisphere's economics. "We have no option but to adjust to the new trade realities, *but we need time*," Mr Compton said. "To open our markets immediately to much larger trading entities . . . would mean the collapse of our own domestic, fledgling industries, and indeed or agricultural production geared to our local and regional markets."

This growing concern about the implications for the smaller countries of the hemispheric free trade area follows earlier expressions of wariness in Central America and the Caribbean over likely *negative effects of* Mexico's membership of the North America Free Trade Area. But US government officials, like Mr Myles Frechette, assistant US trade representative for Latin America and the Caribbean, argue strongly in favour of the Bush proposal.

Central American and Caribbean government officials and business leaders argue that they are already at a *disadvantage* in trade with their major market, the US, despite the benefit of duty free access for a wide range of products. The US trade surplus with the region last year was $2.16bn, just under a half more than the 1988 surplus. The surplus rose from $105.4m in 1985 to $762m in 1987, and then to $1.49bn in 1988.

US government spokesmen argue, with merit, that the trade imbalance would have been worse were it not for the Caribbean Basin Initiative, the *trade programme under which the* region has duty free access to the US market. The US surplus has been the result of declining imports of Caribbean sugar and petroleum products.

"Non-traditional exports to the US grew at an average annual rate of about 15 per cent, 50 per cent faster than overall trade," said *Mr* Frechette.

This is cold comfort to some Central American and Caribbean governments. They are suggesting that rather than being thrown into the hemispheric free trade area with larger economies, they should be *allowed to integrate slowly*.

"This has to be handled very carefully so no country can take advantage of the other," said Mr Juan Chevalier, Panama's industry and commerce minister. *Mr Pat Thomp*son, executive director of the Caribbean Association of Industry and Commerce, has suggested the smaller countries of the Caribbean and Central America should be phased into the free trade area over 15 or 20 years.

It is a proposal which is supported by Mr Medina Luna. "*We have not* yet seen any equitable arrangement which will take care of the region's concerns," he said. "The creation of a single trading bloc raises doubts over the benefits we get from the CBI because the preferential access to the US market will be lost. We need some *facility which will graduate us*. The question is: How fast do we all get to the state of totally free trade?"

INTERNATIONAL NEWS

Panic in Somali capital as family of president flees

By Julian Ozanne in Nairobi

PANIC broke out *at Mogadishu* airport yesterday, as a large group of Somalis fleeing nine days of fierce internecine clan warfare in the Somali capital forced their way on to two Italian aircraft evacuating the last remaining foreigners trapped in the city.

The incident marks the degree of desperation that has set in among residents of Mogadishu, which is said to be facing acute shortages of food, water and medical supplies and whose streets are strewn with corpses. Health workers said risks from cholera and other epidemics were rising.

Members of President Mohamed Siad Barre's immediate family seeking political asylum were said to be among 70 Somalis who fled the capital and landed in Adu Dhabi. There was also initial confusion over whether the ageing president was among the group, with mixed statements by United Arab Emirates officials first confirming and then denying his presence on board the flight.

Later, the Somali embassy in Rome formally denied the rumours that President Siad Barre had fled to the UAE.

Mr Osman Dirie Hashi, chargé d'affaires at the Somali embassy in the Italian capital, said he "categorically denied" the rumours.

He told the Italian news agency, Ansa, that he had been in contact with the Somali foreign minister, Mr Ahmed Mohamed Aden Qaybeh, who he said was in Abu Dhabi.

Radio Mogadishu, which was on the air yesterday afternoon after silence since Saturday, broadcast a three-minute appeal by President Siad Barre, calling for opposition groups to come to the capital to take part in peace talks under Egyptian and Italian government supervision.

It was unclear whether the radio broadcast, made after reports of Mr Siad Barre's departure, had been pre-recorded.

Heavy fighting was reported again yesterday in Mogadishu, with indications that some troops loyal to President Siad Barre were going on a frenzied spree of looting and destruction before fleeing the capital for the countryside.

The rebel United Somali Congress (USC), which controls large parts of the city, maintained yesterday that it had launched a decisive final offensive against the airport, one of the few remaining *strongholds around the embattled* capital of Siad Barre's troops.

Yesterday's Italian rescue operation evacuated 248 people, including 57 Italians and other foreigners, as well as 75 Somalis, aboard two Italian Hercules C130 transport aircraft which arrived back at the Kenyan coastal city of Mombasa. A further 60 Italians at least are believed to be still trapped in the country.

Earlier in the day, at least 22 foreigners, including members of the International Committee of the Red Cross (ICRC), were rescued by French marine commandos and ferried in boats and helicopters to French warships lying off the Somali coast.

In Geneva an ICRC spokesman said the all-Swiss organisation's delegation had been withdrawn from Mogadishu because its personal property and medical equipment had been looted and its vehicles hijacked at gunpoint.

But a seven-person medical team from the international charity, Médicins Sans Frontières (Doctors without Borders) managed to disembark from one of the Italian aircraft yesterday hoping to set up a neutral hospital and tend to thousands of war wounded in the city.

It was unknown whether they had been able to leave the airport.

S African blacks record worst ever school results

By Reuter and Our Foreign Staff

SOUTH Africa announced the worst ever school-leaving examination results by black students yesterday, with only 36.4 per cent of passes in 1990, as against 41 per cent in 1989. The pass rate among whites was 97 per cent.

Mr Stoffel van der Merwe, the education and training minister, who described 1990 as a "traumatic" year for black education, blamed strikes by teachers and classroom protests against racially-segregated education for the poor results.

The results are sharpened when added to the fact that, according to estimates by *independent educationists, more* than 40 per cent of black school entrants drop out by their fifth year of education, well before the school-leaving examination.

The fall in black success rates in the important school-leaving or matriculation examination was swiftly condemned by black commentators. "The results for white matriculitants graphically indicate the imbalance in the way in which children of different races are trained," said the Sowetan, a newspaper mainly read by blacks.

The Sowetan drew attention to the long-term implications of such results by adding that "if this country has to survive the future then it has to deal *with this fact*".

The radical Pan Africanist Congress said the exam results were catastrophic and showed the failure of "Liberation Before Education", a slogan traditionally voiced by members of the African National Congress. The ANC this year abandoned the slogan and urged students to return to school to prepare for a post-apartheid society.

Under apartheid, incrementally introduced soon after the governing National Party came to power in 1948, spending is almost four times as much on a white child's education than on that of a black child.

That is an improvement on 10 years ago when the ratio was 10 to one. But black educa*tion remains influenced by the* apartheid theory, now officially abandoned, that blacks are fit only for menial work. The overall result, by some estimates, is that up to one half of the country's adults are illiterate, while half of school-age youngsters do not attend class.

Mr Van der Merwe said the stoppages were the main cause of the poor results. Excitement among youngsters generated by the release from prison of anti-apartheid leader, Mr Nelson Mandela, in February had also contributed to absenteeism, he added.

He said he was optimistic that next year's results would be greatly improved because black political movements had acknowledged the need for *youths to return to school.*

Protests against teaching in the Dutch-derived Afrikaans language were the origin of a 1976 uprising against white rule in which police shot dead hundreds of black youths.

In the 1980s a "lost generation" of blacks abandoned school under the slogan of Liberation Before Education and became the stone-throwing vanguard of the anti-apartheid movement.

Many business leaders as well as the ANC are concerned at the prospect of a serious skill shortage in a post-apartheid society. In 1986 almost twice as many engineers emigrated from the country as immigrated, a net loss with serious implications given that none of South Africa's nine black universities has an engineering faculty.

South Korea's President Roh Tae Woo (right) accepts a personal message from President Mikhail Gorbachev which was delivered yesterday by the Soviet leader's special envoy and deputy foreign minister, Mr Igor Rogachev.

In the message, Mr Gorbachev asked Seoul for help in revitalising the Soviet Union's sagging economy, Reuter reports from Seoul.

South Korea and the Soviet Union, once bitter enemies, established full diplomatic relations last September and Mr Roh visited Moscow last month. Mr Rogachev, the highest-ranking Soviet Foreign Ministry official to visit Seoul, is discussing ways of improving economic co-operation and easing tension on the divided peninsula. Mr Rogachev said he was also due to visit Pyongyang in the near future. His three-day trip to Seoul, announced on Saturday, was hurriedly arranged at Moscow's request, South Korean Foreign Ministry officials said.

Mr Rogachev, accompanied by 12 officials, is expected to urge Seoul to supply the Soviet Union with sorely needed consumer goods. South Korea is working on an economic co-operation and loan package for the Soviet Union worth $3bn (£1.5bn).

■ South Korea yesterday asked the Soviet Union to comment on a news report that Moscow found and secretly cremated victims of a Korean passenger aircraft shot down by Soviet fighters in 1983 after it strayed into Soviet air space.

The request was made by Mr Yoo Chong Ha, deputy foreign minister, during preliminary talks with Mr Rogachev.

Westpac quits Seoul over strike deadlock

By Kevin Brown in Sydney

WESTPAC Banking Corporation, Australia's biggest bank, yesterday announced the closure of its branch in Seoul, South Korea, after the failure of attempts to end a four-month strike.

"We simply cannot yield to unreasonable and uncompromising union demands that would transfer fundamental management rights into union hands," said Mr Dong Soo Choi, chief manager of the Seoul branch.

Mr Choi said the bank had "exhausted all possible avenues towards a settlement" after the rejection of a compromise proposal tabled on December 27. Westpac said it had made concessions on pay and conditions to the bank employees union, which represents 18 of the 38 staff at the Seoul branch.

However, the bank said it had refused demands for a union-dominated "personnel committee" which would have given the union the right of veto on the company's recruitment, dismissals and disciplinary matters.

"The union demand strikes at the very heart of the fundamental principles of management rights.

"Westpac can never agree to transfer management decision-making authority to a labour union," said Mr Choi.

Westpac officials have said they believe the bank was singled out by the union for the first stage of a campaign to improve agreements with other foreign banks.

The strike was marked by allegations of violence and the use of large loud-speakers placed outside the bank's branch by the strikers to annoy the 20 staff who continued to work during the stoppage.

The closure of the formerly profitable Seoul branch is in line with Westpac's strategy of closing underperforming businesses in the wake of a 14.6 per cent cut in net profits to A$684m (£280m) last year.

The bank said responsibility for South Korean business would be transferred to branches in Taiwan and Tokyo.

However, the closure is a blow to Westpac's attempts to expand its Asia-Pacific business.

Indonesia's spending to rise 18%

By Claire Bolderson in Jakarta

PRESIDENT Suharto of Indonesia yesterday announced an increase in spending for the 1991-92 financial year in a budget which emphasised the financing of infrastructure projects while trying to keep inflation down.

Indonesia's budget will increase by nearly 18 per cent in the next year to $26.6bn (£13.7bn).

Much of the extra income will come from oil and gas revenues, although its contribution to total income had been falling as Indonesia diversified its exports in the face of the oil price slump of the 1980s.

Because of the recent rise in *oil prices however*, the 1991-92 budget predicts a 39 per cent increase in Indonesia's total oil and gas earnings. Increased government spending is to be directed at financing rural *development and infrastruc*ture projects in an attempt to distribute extra funds without fuelling last year's 9.55 per cent inflation rate, the highest since 1983.

The anti-inflation drive means that the salaries of civil servants and members of the armed forces will not go up though President Suharto promised an improvement in wages "when the state finances later allow it". Development spending on the other hand is to rise by 23 per cent to $10.52bn. The money will go towards building and repairing roads, building irrigation projects and power plants, and towards schools and agricultural programmes.

President Suharto also said the Indonesian government's commitment to deregulation of the economy would continue and he announced that because of higher domestic earnings in the next financial year Indonesia would cut by just over 8 per cent the money it borrows from foreign creditors to make up the deficit.

Indonesia, which has a total foreign debt of more than $50bn, plans to borrow $5.5bn from abroad in the coming year.

Abu Nidal says Belgian hostages free

A RADICAL Palestinian group led by the world's most wanted guerrilla, Abu Nidal, said yesterday that it had released four Belgian hostages, Reuter reports from Beirut.

"In response to great efforts by Libyan leader Muammer Gadaffi ... I am pleased to announce that our movement has released the rest of the Silco boat prisoners [hostages]," said the Fatah Revolutionary Council (FRC) in a statement.

The group did not say when and where the release took place. Abu Nidal, who was previously based in Libya, is reported to have moved his headquarters to Iraq.

The four Belgians are Mr Emmanuel Houtekins, 45, his wife Godelieve Kets, 40, and their children Valerie, 19, and Laurent, 20. They are members of a family of eight seized from the yacht Silco in the eastern Mediterranean in 1987.

The FRC had said previously it would not free the four Belgians until it received a pledge from Brussels that guerrilla Nasser Said, a Palestinian jailed there for an attack on a Belgian synagogue in the early 1980s, would be freed.

UK protests as Sudan releases Palestinians

Mr Douglas Hogg, the British Foreign Office minister, yesterday told the Sudanese ambassador of his "dismay" at the release of guerrillas jailed for a bomb attack which killed five Britons, agencies report.

The five Palestinians were freed after less than three years in jail when a Sudanese judge decided to be lenient because the murder had a "political motivation". Mr Hogg summoned Mr El Rashid Abushama after the members of the Arab Revolutionary Cells, who also killed two Sudanese, left prison.

In September 1988, the Sudanese Supreme Court referred the final decision on the fate of the five, already sentenced to death, to a section of a penal code under which victims' relatives can insist killers be executed, pardoned or given blood money. British relatives refused money.

Algerian PM in Morocco visit

Mr Mouloud Hamrouche, Algeria's premier, arrived yesterday for his first official visit to Morocco, Reuter reports from Rabat. Mr Hamrouche will meet King Hassan, Mr Azzeddine Laraki, the prime minister, and other ministers for talks covering the Gulf and relations with the EC.

Ershad charged with keeping illegal arms

Police have filed the first formal charges against Bangladesh's deposed President Hossain Mohammad Ershad, yesterday accusing him of illegal possession of firearms, agencies report from Dhaka.

Former president Ershad, along with his wife Roushan, is now interned at a luxury villa. If convicted, the ex-president, 60, could be sentenced to life imprisonment.

A deputy commissioner of police, Mr Shamser Alam, filed the charge on Saturday in a police station in the Dhaka military cantonment where Mr Ershad, a former general, lived when he was president, a senior police official said.

Police found four unlicensed pistols, four other unlicensed guns and 174 bullets in the former Ershad residence during raids after he was removed from the dwelling and put under arrest on December 12.

At the same time, the former ruling party in Bangladesh has demanded that Mr Ershad be released from police detention before parliamentary elections, due on February 27.

"We demand immediate release of party chairman Ershad and its secretary-general Shah Moazzem Hossain for creating a congenial and impartial atmosphere to hold the coming polls in a free and fair manner," acting Jatiya Party chairman, Mr Mizanur Rahman Chowdhury, said.

Mr Ershad resigned on December 6 after seven weeks of violent street demonstrations against what his opponents said was a corrupt and autocratic rule.

Mr Ershad handed over power to an interim president, Mr Shahabuddin Ahmed, the former chief justice who was nominated for the job by opposition groups.

Mr Ahmed has repeatedly said his prime task is to make the elections free and impartial to restore democracy to Bangladesh.

A police official said that two more charges will be filed against Mr Ershad, for smuggling and amassing wealth inconsistent with his income. He gave no further details.

During the raids, police found local currency worth $600,000 (£310,880) and some satellite telephones, which are banned from import into Bangladesh. Mr Ershad's annual salary as president was about 4,000 dollars.

Mr Ershad seized power in a bloodless coup in 1982 and ruled under martial law until 1986 when he was elected president in voting that was widely believed to be rigged.

Malaysian state leader faces corruption trial

By Lim Siong Hoon in Kuala Lumpur

MR Joseph Pairin Kitingan, chief minister of the Malaysian state of Sabah, is to face trial on three counts of corruption following his sudden arrest by police last Saturday.

The corruption charges, brought by the Anti-Corruption Agency, a federal body, are related to M$12m (£2.4m) worth of construction con*tracts approved* in 1985 and to timber licences for 2,000 hectares issued in 1987. Most of the contracts allegedly went to his relatives.

Mr Kitingan, chief minister since 1985, has been freed on bail of M$1.5m after a brief appearance in a court in Kota Kinabalu, the state capital. The date for the hearing was not fixed. A day before his arrest, Mr Maximus Ongkili, Mr Kitingan's nephew and adviser, was also arrested and held under internal security laws which permit indefinite detention without trial.

There are similar corruption charges pending against Mr Kitingan's younger brother, Mr Jeffrey Kitingan, a director of the state-run Sabah Foundation. However, he is charged under federal emergency powers. Human rights activists have been campaigning for their removal, along with that of the Internal Security Act.

The charges brought against the chief minister come just *two-and-a-half months after* political opponents of Mr Mahathir Mohamed, the prime minister, gained control of two states, Sabah and Kelantan, in the federal and state elections.

Mr Kitingan, a Roman Catholic, earned the displeasure of Mr Mahathir when, during the election campaign, he took his party, the Parti Bersatu Sabah, out of the ruling coalition and *into the opposition camp* headed by Mr Tengku Razaleigh Hamzah, a former finance minister.

Mr Mahathir has since said that Mr Razaleigh could be investigated for corruption on the failed loans by a Hong Kong subsidiary of Bank Bumiputra, the country's second largest bank, in the early 1980s.

In Kelantan, the ruling fundamentalist Islamic party has begun a systematic campaign to introduce religious edicts into the social and legal system. It has prohibited women *from night shifts in factories* and has banned the sale of alcohol and lotteries.

هكذا من الأصل

World Student Games hit by satellite TV merger

By Ian Hamilton Fazey, Northern Correspondent

ORGANISERS of the World Student Games in Sheffield, in northern England, have not been able to start selling television-linked marketing packages because of the merger of British Satellite Broadcasting with its former rival Sky.

The games, due to begin in July, have been beset by financial problems and uncertainty. Guaranteed television coverage is essential to attracting advertisers at the venues where the games will be staged.

After being turned down by BBC and ITV, organisers secured a contract with BSB and were due to launch packages to international advertisers in November. But the merger with Sky on November 2 meant these all had to be withdrawn.

BSkyB, the merged company, agreed last month to honour the BSB contract. But the games management has since had to re-establish the commitment of countries that had previously agreed to take BSB's coverage, so as to ascertain the size and spread of the potential worldwide TV audience.

Mr Ray Gridley, the Sheffield city council officer in charge of the games, is refusing to reveal the figures until the new packages are ready to be presented to potential advertisers towards the end of this month.

How much revenue these yield will determine whether the games make a profit or loss. The games organisation has received pledges of income so far – mainly from local sponsors – of £5.8m but has financial commitments of £9.4m. With costs estimated at a minimum of £17m, this means that the international marketing effort will be trying to close a potential deficit of £11.2m.

Leaders of the local private sector, including Mr John Hambidge, director of Sheffield chamber of commerce, are urging more businesses in the area to become sponsors.

The delay over TV-linked marketing packages adds to the dilemma of Sheffield city council over whether to provide for the games in its 1991-92 budget.

Coupled with the deepening UK recession, uncertainty over the economic impact of a Gulf war, and the unpredictability of ticket sales, accurate forecasting is impossible. Yet a decision on committing funds must be made in February.

The city is already constrained on spending by the government. The district auditor – the government's watchdog – could, therefore, play a crucial role in deciding the games' future if Mr Michael Heseltine, environment secretary, cannot be persuaded to ease cash controls.

Whatever happens, the £140m borrowed to build a stadium, swimming pool and other facilities is not at issue.

The money is due to be repaid by Sheffield residents who will pay about £25 per head in local taxes for the next 22 years.

Classic motorcycle maker faces inquiry

Trade department launches inquiry into Norton Group

By Jane Fuller

NORTON GROUP, which resurrected one of Britain's most famous motorcycle marques, is being investigated by Department of Trade and Industry inspectors, the department announced yesterday.

The DTI would only say that the investigation was being carried out under section 432(2) of the Companies Act 1985. This means the DTI believes there are circumstances which suggest either the defrauding of creditors, or unfair treatment of shareholders, or failure to give reasonable information.

Mr Philippe Le Roux, chief executive, a former merchant banker and motor biking fan, became involved in the company in 1986 when the company was a shell. Since then, the motorcycle and rotary engine businesses have been revived and the group has entered other engineering fields.

Mr Le Roux said he knew nothing of the DTI's concern until yesterday and could think of no reason for the action.

The two DTI inspectors visited the group's central London office yesterday. Norton said they had asked for a wide range of documents covering the last three years of the company's activities.

This takes the investigation back to before Norton's main market listing, which followed its reverse takeover of Minty, a furniture company.

Yesterday the share price fell 6p to a new low of 15p, a tenth of last year's high.

The collapse follows a poorly supported 15-for-4 rights issue, at 20p per share, which temporarily left the underwriters, stockbrokers T C Coombs & Co, holding most of the group's share capital.

The main purpose of the £6.5m issue was to fund the purchase of a German fastener manufacturer, a deal which dissident shareholders tried to block.

They were unhappy because the German concern was being bought ultimately from a Channel Island vehicle for the family interests of Mr James Tildesley, Norton's non-executive chairman. Altogether the deal was worth £8.2m.

The dissidents were led by Mr Yehuda Mendelsohn, head of a US subsidiary called Pro-Fit, which Norton acquired in 1988.

Another disappointment for

The Interpol: the model produced for the police

shareholders last year was that property in north London, which it had been hoped would sell for about £11m, only brought in £4.9m.

The inspectors are Mr Richard George Bramwell McCombe QC and Mr John Kenneth Heywood, of accountants Price Waterhouse.

● From the start of the century Norton was famed for quality engineering and racing success and by the late 1950s was selling 10,000 machines a year. But by the 1970s it was on its knees; largely thanks to its indifference to Japanese production.

In 1972 the Conservative government asked Norton to bid for BSA Triumph with the intention of rationalising the combined operation by closing Triumph's Coventry plant. A sit-in followed to stop the closure and the Labour government offered £5m to form a co-operative. Norton Villiers went into voluntary liquidation.

A new era began in 1985 when property interests were injected into Norton Villiers Triumph, a mere shell about to go into liquidation. After one mishap the renamed NVTG was restructured and in 1987 the company bought the Norton Villiers motorcycle business and the rights to the Norton name.

In 1987 the company joined the Third Market and, after a brief diversification into selling night-club and disco membership, they bought Pro-Fit Piping Components, a US engineering business. They announced a first annual profit in 1989.

British retail sales sink to lowest levels since 1981

By Rachel Johnson, Economics Staff

BRITISH retail sales in the run-up to Christmas were at their lowest levels since 1981, according to government figures yesterday which painted a grim picture of the retail recession.

The retail sales figures came as the Society of Motor Manufacturers and Traders reported a drop of more than 27 per cent in new car registrations in December, the sharpest single monthly fall on record.

Official figures for consumer credit, also released yesterday, gave further proof of the reduction in overall economic activity.

They showed a sharp decrease in outstanding borrowing in November – as consumers made efforts to pay off credit card debts to avoid interest charges – and suggested that banks had become much more selective about lending in the recession.

In addition, the Bank of England confirmed that the contraction in the rate of growth of the money supply was continuing as the economy slowed.

The Central Statistical Office said that retail sales volumes fell 0.8 per cent in November – much more than its original estimate of 0.5 per cent – to take the annual rate of decline to 1.1 per cent.

Between September and November, sales volumes shrank by 1.2 per cent com-

Brown: fears job losses

pared with the preceding three months, giving the worst underlying trend rate since June 1981.

The Treasury acknowledged that the figures confirmed the economic downturn was continuing. But it said the figures held out the prospect of "a sharp fall in inflation later in the year".

Mr Gordon Brown, the opposition Labour Party's spokesman on trade and industry, said the figures foreshadowed another grim round of redundancies and bankruptcies.

"With sales again likely to drop immediately after the Christmas and New Year sales boost, I fear for the loss of more jobs in the retail and service sector," he said.

The figures for November were the first to show that the slowdown in the country's high-street retail trade had spread to all sectors except food.

Mr Ian Shepherdson, UK economist at Greenwell Montagu, said: "Household goods have been absolutely clobbered, showing a drop of 10 per cent in real terms." Sales of clothing and footwear were also substantially down.

Only sales of food rose – by 1 per cent over the three-month period.

Mr Shepherdson said the CSO figures for credit business indicated that there was a risk of a UK "credit crunch" – when banks stop lending for fear of loan default.

The data showed that the increase in the amount outstanding on consumer credit agreements in November was £255m, after £368m in October. On credit cards, there was a striking fall in the increase in the amount outstanding from £161m in October to just £26m in November.

The Treasury said it "welcomed the decrease in the stock of outstanding lending as a return to the rate of credit growth experienced early last year".

The final estimate of retail sales volume (seasonally adjusted) in November was 120.4 (1985=100) after a provisional 120.7 in October.

Government advisers support partial sale of power generators

By Clare Pearson and David Thomas

THE chances of a partial sale of the electricity generators have increased sharply after government advisers swung behind the option of retaining a minority government shareholding in National Power and PowerGen after their flotation next month.

Senior civil servants and the government's financial advisers have told ministers that proceeds to the Exchequer would be increased by a partial sale.

Mr John Wakeham, energy secretary, is expected to decide this week on whether to sell 100 per cent or a lesser proportion of shares, which would be likely to be 60 per cent.

He will weigh proceeds against other government objectives, notably the wish among ministers to privatise the generators in one go.

Concerns about funds raised from the generators' sale have been deepened following last month's £5.2bn flotation of the 12 regional electricity companies, which attracted accusations of underpricing by the government.

If all the shares in the generators are sold next month, the privatisation is currently expected to raise about £3.6bn, inclusive of about £700m of debt.

Officials have concluded that proceeds to the taxpayer would be maximised by delaying the sale of a proportion of the shares until a later date.

The argument hinges on the prospect of significant profit improvements at the companies over the next few years, enhancing their market value.

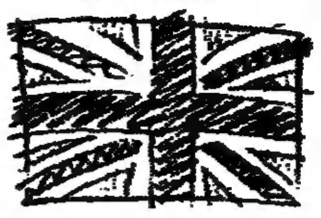
Officials will have cited previous privatisations such as that of Cable & Wireless where big uplifts in value were achieved between sale of the first tranche of shares in 1981 and the third in 1985.

A government minority holding would be strongly disliked by the companies themselves. However, government advisers denied last night that it was simply a threat to persuade the companies to provide more optimistic profit and dividend forecasts to be included in their flotation prospectus, and to take on more debt.

Investors would also be dismayed by less than 100 per cent of the shares being sold. They would be expected to ask for more generous terms in next month's flotation than would otherwise be the case.

Mr Wakeham will have to bear in mind that the government again be turning to the market to sell the two Scottish electricity companies, earmarked for flotation in May.

BRITAIN IN BRIEF



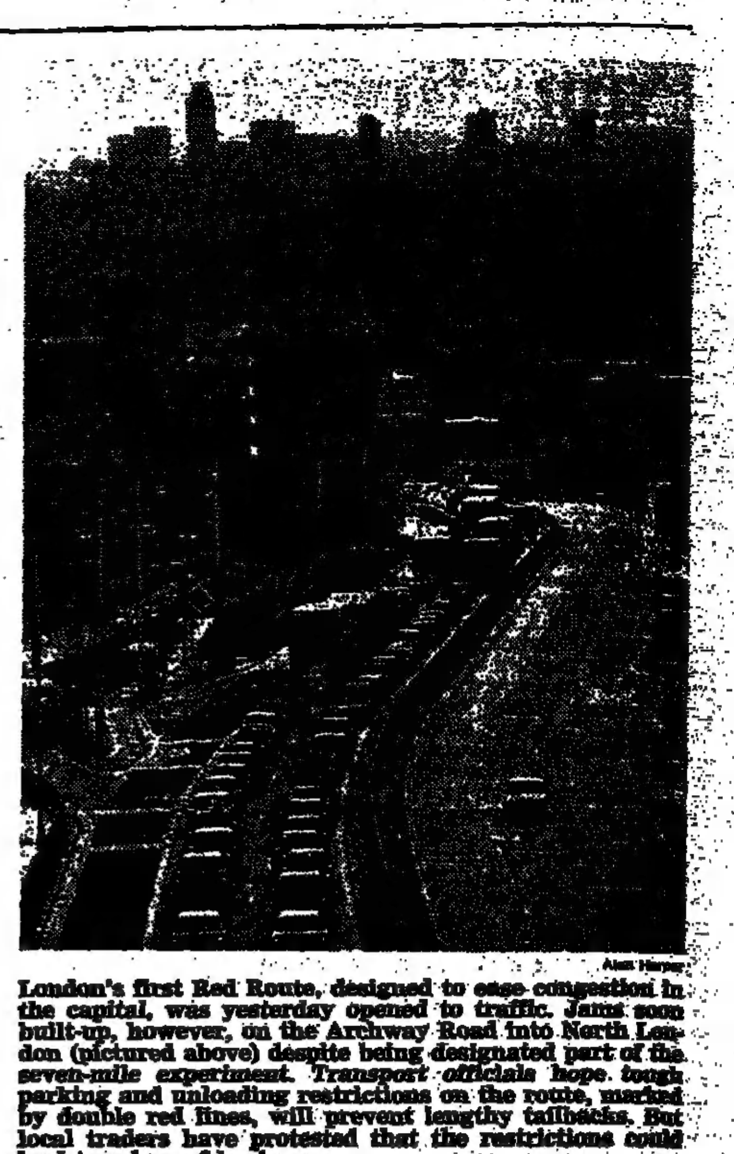
British Coal urged to privatise

British Coal should be privatised as soon as possible, Mr Malcolm Edwards, commercial director of British Coal, told coal industry executives in London.

He said British Coal should separate itself from the Department of Energy as soon as possible and advised business in Britain to "keep well away from the government machine."

Criticising governments of both right and left for forcing British Coal to depend on one product, Mr Edwards compared British Coal unfavourably with Veba, the German coal company, which had been left free to diversify.

He said British Coal should try to broaden its business base, "making it less like the last pre-Gorbachev state coal industry."



Alan Harper

London's first Red Route, designed to ease congestion in the capital, was yesterday opened to traffic. Jams soon built-up, however, on the Archway Road into North London (pictured above) despite being designated part of the seven-mile experiment. Transport officials hope tough parking and unloading restrictions on the route, marked by double red lines, will prevent lengthy tailbacks. But local traders have protested that the restrictions could lead to a loss of business.

Crisis talks at Morning Star

Staff on the Morning Star, Britain's communist newspaper, are meeting to discuss plans to avert a financial crisis through job cuts, investing in new technology and increasing the paper's cover price for the first time in seven years.

The cause of the latest crisis was the announcement at the end of last month that the Soviet Union was cancelling its daily order for 6,000 copies of the paper. The loss of the Soviet order not only cuts the Morning Star's circulation to 8,500, but wipes out £400,000 of its £1m annual income.

GEC-Marconi to close site

GEC-Marconi, the defence arm of the General Electric Company, plans to stop work at one of the four main sites of its underwater systems division near Watford, at the end of March.

The company said it would make every effort to find alternative jobs for the 300 employees at the centre, which is involved in the research and design of acoustic systems. It also said it was possible that another company from the GEC group would take over the facilities.

The decision marks the latest in a series of cutbacks in the arms industry reflecting the current squeeze on defence spending.

EC aid for SW England

Parts of Devon and Cornwall in western England which have been hit by a decline in the shipbuilding industry are to receive £11.5m in European Community support for a regional restructuring programme.

The government has already committed a similar sum as part of the EC special aid project for the city of Plymouth and rural areas of the south-west peninsula.

The money will be used to encourage small business and tourism development and to back innovative proposals to regenerate the area.

Green Party faces crisis

The Green Party is facing a financial crisis caused by a fall in membership, increasing overheads and the rising cost of environmental campaigns.

"We are in an extremely precarious situation at the moment," said Ms Judy Maciejowska, one of those responsible for the management of the party. "Currently we are running at a loss." Membership has dropped steeply since it soared to a high of 17,290 last year following the success of the party in the Euro-elections the previous year.

BR faces trial over disaster

British Rail was ordered to face an Old Bailey trial over safety breaches that allegedly caused the Clapham rail disaster, south London, in which 35 people died.

If convicted, BR could face a huge fine. Nearly 500 people were injured in the triple train crash at the peak of the morning rush hour on December 12 1988.

Price report on coffee trade

The Monopolies and Mergers Commission is to deliver its report on the UK instant coffee market to Mr Peter Lilley, trade and industry secretary. He is likely to take some time before publishing the report, the DTI said.

The investigation was launched last April after Sir Gordon Borrie, director general of fair trading, voiced concern that the fall in world coffee prices had not been adequately reflected in instant coffee prices in the shops.

The study was to focus in part on the influence of Nestlé, leader in the £575m a year market, in establishing prices.

Thomas Cook pay rise

Staff working for Thomas Cook, the travel services group, have been awarded pay rises ranging up to 21 per cent under one of the most comprehensive private sector agreements with a union within the UK.

The average rise given to the 6,500 staff will be 11.5 per cent after the TSSA transport union re-negotiated the terms of the deal to ensure that more people fell into the top two grades of performance assessment this year.

Rail disruption in Scotland

British Rail services out of Glasgow were disrupted by a 24-hour strike by guards over the de-barring of five guards from being trained as drivers because they had committed disciplinary offences related to alcohol.

The strike was the first industrial action over the way in which the two-year-old national agreement on the transfer of guards to driving duties has been applied.

ScotRail, the Scottish business division of BR, has offered compensation of £12,000 to each guard if they fail to become drivers following an appeal.

It had made an administrative error in initially allowing their applications, it said.

New car registration falls by a record 27.5% in December

By John Griffiths

NEW CAR registrations in the UK had their steepest monthly fall on record last month, emphasising the severity of the recession now affecting private buyers and businesses alike.

The drop, of 27.58 per cent compared with December 1989, is the first to exceed the 20 per cent level for more than two decades.

Particularly worrying for the motor industry and the UK's 7,500 franchised motor traders is that it denotes a further, sharp acceleration of a decline which has been steepening since September.

The market fell by 18 per cent, on a year-on-year basis, in November and 14 per cent in October.

Manufacturers and traders last night were taking some comfort in the fact that December is usually a poor sales month, typically accounting for less than 5 per cent of annual sales, and that total sales last year were still the fourth highest on record.

Nevertheless, the drop in actual sales volume, of nearly 300,000 cars, has bitten deeply into the motor trade's profitability and there is little optimism of any early upturn.

The Retail Motor Industry Federation, which represents the the franchised motor trade, said it had sent a formal plea to Mr Norman Lamont, the chancellor, calling for a revaluation of sterling within the ERM as a means of forcing down interest rates which, it claims, are threatening the future of the vehicles business.

In the absence of any such action, the downward trend "seems likely to persist in the immediate future" said Mr Simon Foster, director of the Society of Motor Manufacturers and Traders, which released the statistics yesterday.

They showed December sales falling to 62,837 from 86,789 a year earlier. They brought the year's total sales to 2,008,934, down 12.69 per cent from a record 2,300,944 in 1989.

Another minor consolation for the UK industry was that the share of the market taken by imports last year fell, if only marginally. They accounted for 56.74 per cent of sales against 54.95 per cent the previous year.

The SMMT is still forecasting sales of about 1.9m this year. However, that forecast was made in September and may well be adjusted downwards.

Interest rates put motor traders on road to ruin

John Griffiths examines the bleak prospects for vehicle retailers of the government's economic policy

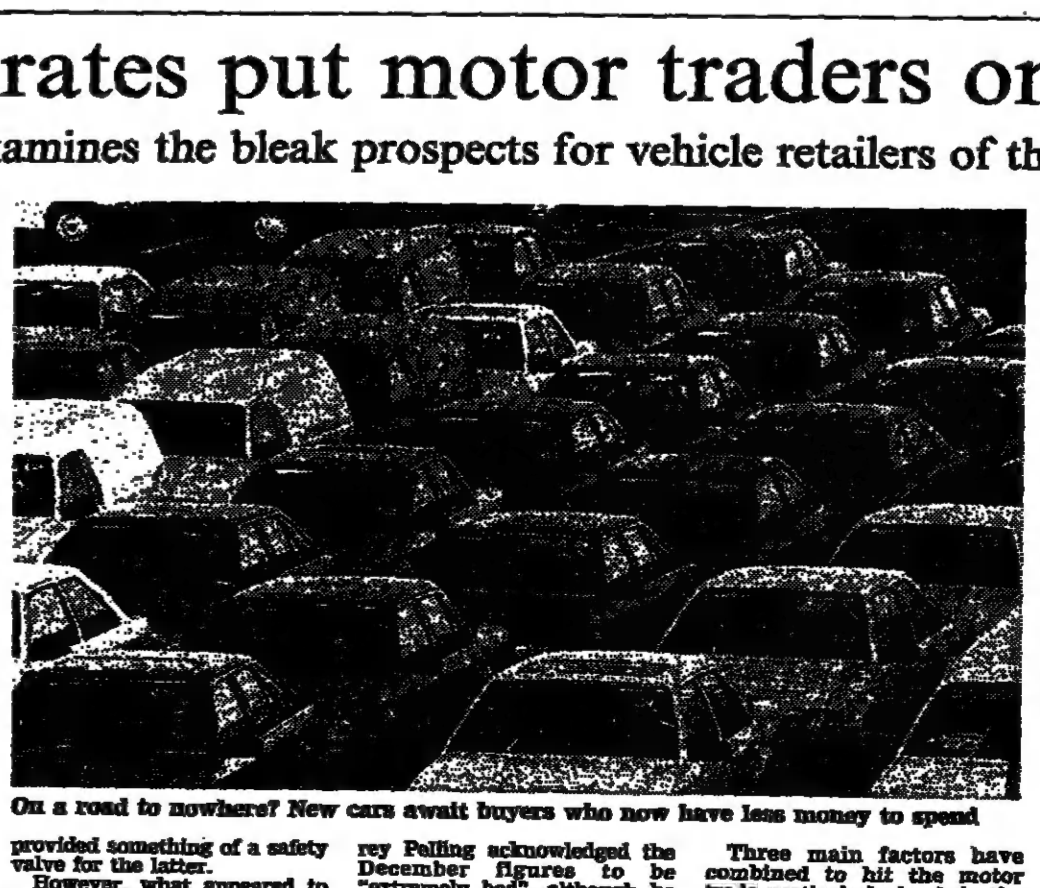
AMONG Chancellor Norman Lamont's Christmas mail was an envelope from the UK's retail motor trade. It contained not a goodwill card but a plea for a prompt devaluation of sterling within the ERM as a means of getting interest rates moving down smartly.

Behind the "siren voice" of the Retail Motor Industry Federation's appeal lay concern about falling car sales and a lengthening list of receiverships among its 7,500 franchised car dealer members.

That concern was given stark new emphasis yesterday with the publication by the Society of Motor Manufacturers and Traders of statistics showing the sharpest single monthly fall in new car registrations in the SMMT's records.

The RMIF's economist, Mr Neil Marshall, says unequivocally that high interest rates are "strangling" the UK car market and imperilling the trade. It is a view shared by the SMMT, manufacturers and other sectors of the industry.

Despite the severity of the drop, 1990 still produced the fourth highest new car market on record, at 2,008,934. It is the drop in volume terms, however – nearly 300,000 units – which has hit dealers and manufacturers hard, although surging production for export (up 40 per cent last years) have



On a road to nowhere? New cars await buyers who now have less money to spend

provided something of a safety valve for the latter.

However, what appeared to be causing most concern to the UK trade and industry yesterday was the lack of any immediate prospects of improvement, encouraging fears that the list of receiverships will continue to grow this year and profitability continue to evaporate.

SMMT economist Mr Geoffrey Pelling acknowledged the December figures to be "extremely bad", although he said it was a poor month, typically accounting for less than five per cent of the year's sales. "But what is really worrying is the deepening of the decline since October."

The current year, he warned "is likely to be very tough for the distribution and retail trade."

Three main factors have combined to hit the motor trade particularly hard, in the view of analysts. High interest rates are seen a problem not so much for pushing up the cost of buying cars but because mortgage increases have cut so deeply into disposable income of private motorists. In dampening the economy overall they have also begun hitting company car purchases badly in the past three months, while the Gulf crisis is also eroding company confidence.

The other problem, points out Mr Pelling, is that "there has been a rising trend in new car sales since 1982. Historically sales always follow a cyclical pattern so it was never plausible that at some stage the market wasn't going to go into reverse. The trouble is, all these factors have come together".

Last month's electricity privatisation is also believed to have been a factor in damping demand from private motorists, and Mr Marshall suggests that the private buyer will come back into the market in greater numbers early in the year.

"Business is now definitely feeling the pinch and making economies, whereas if private buyers feel things will get better in the next six months, they will take action now".

Mr Marshall, however, sees "no hope" of any overall upturn in the first quarter.

"Interest rates are keeping us all on tenterhooks. Even if there is a cut next month it will not produce any sign of improvement until the end of the second quarter.

The several dozen dealerships which have ceased trading or entered receivership in the past few weeks – they include such well-known names as parts of London's Follett group – are seen as only a foretaste of things to come in the absence of any marked improvement.

The final nail for some of them has been the rising costs of stocks at a time when resources have been drained by heavy investments in upgrading premises and service standards as part of what is commonly described as a "retailing revolution" in the motor trade.

"For all those investment to pay off we need a market at least as big as last year's with decent profit margins," according to Mr Marshall. "We're used to low margins; the industry's more efficient than anyone, including the supermarket, but we can't operate on negative margins."

In 1989, the RMIF estimates dealers average retained margin on turnover before tax was 2.5 per cent, with the bigger and better managed PLCs managing rather better. During 1990 it's been 1-1.5 per cent.

"We can't yet say it's a collapse, or that closures are about to swathe through the sector. But there are an accelerating number of receiverships and it is worrying.

"The last thing we want is the financial institutions taking the short term view of what's happening. In the past they have pulled the rug too quickly and I hope they'll take the long-term view."

FT LAW REPORTS

Law digest, Michaelmas term

Regina v Inland Revenue Commissioners, ex parte Woolwich Equitable Building Society
(FT, October 31)

BY annual voluntary arrangement with the Revenue, the Woolwich Building Society discharged its liability for investors' tax in the year of assessment. The Finance Act 1985 terminated that system and the Income Tax (Building Societies) Regulations 1986, made thereunder, imposed a compulsory system of quarterly collection. Regulation 11 charged to tax dividends and interest paid during 1985-86 between the end of the accounting year and February 28 1986. Regulation 11(4) charged tax at the reduced and basic rate for 1985-86. So far as Woolwich was concerned, the effect of the Regulations was to subject it over 24 months to tax on 29 months' income. Woolwich applied for judicial review seeking a declaration that the 1986 Regulations were unlawful. While the Revenue rightly conceded that regulation 11(4) was ultra vires, the Woolwich argued it had the effect of invalidating regulation 11 *in toto*. The Court of Appeal held regulation 11 to be valid save to the extent that paragraph (4) purported to fix a rate. Allowing the appeal in part, the House of Lords held that Regulation 11 without paragraph (4) was in substance different from the regulation which the draftsman actually produced and the defect could not be cured by deletion.

General Capinpin: Free Wave; Proteus. (FT, November 2)

IN THE charterparties, the laytime clause provided that cargo was to be discharged "at the average rate of 1,000 metric tons basis five or more available workable hatches *pro rata*, if less number of hatches, per weather working day." The owners contended that the clause expressly provided for an overall rate for the ship and that its effect was not to substitute a rate per hatch for the overall rate, but was to qualify the provision for an overall rate in two respects: first, if, when the vessel began discharging, less than five workable hatches were available, the overall rate would be reduced *pro rata*; second, if in the course of discharging, any hatches should cease temporarily to be available, the relevant period should not count towards laytime. In dismissing consolidated appeals by the charterers, the House of Lords stated that in all three cases the owners' construction appeared to have been adopted by the arbitrators who were commercial men, well aware of the practical consequences of their decision, and of how charterparties were negotiated and how they were likely to be understood in the trade.

Derby and Others v Weldon and Others
(FT, November 6)

THE plaintiffs' primary submission was that by a combination of section 1(3) of the Civil Evidence Act 1972 and RSC Order 38 rules 36 and 37, the court had jurisdiction to order a party to disclose, in the form of a written report, expert evidence on an issue, even though that party did not wish to adduce expert evidence on that issue at the trial. Mr Justice Mummery held that the submissions were not accepted. Neither section 2(3) of the 1972 Act, nor RSC Order 38 rules 36 and 37, expressly or impliedly removed or modified the privilege from production enjoyed by such documents under the pre-existing law of evidence and discovery of documents. There was nothing in those procedural provisions which empowered the court to direct a party to bring into existence a privileged document embodying an expert's evidence on an issue, or to disclose it to the other side, when that party had no intention of adducing expert advice on the issue. The court had no jurisdiction under the 1972 Act or Order 38, or by way of inherent jurisdiction, or under section 37(1) of the 1981 Act, to make the order sought.

Balfour Beatty Construction Ltd v Parsons Brown and Newton Ltd
(FT, November 7)

PARSONS were consulting engineers employed by the plaintiffs in an initial agreement of March 16 1981 to provide, during the tender stage, drawings to calculate the cost of the building and civil engineering works for a construction of a terminal in Indonesia. A second agreement was entered into on July 17 under which Balfour engaged Parsons to provide professional design services. Balfour's building contract was terminated as a result of settlement during construction and it sued Parsons for breach of the July 17 contract and for negligence between November 1981 and January 1 1985. It then successfully sought leave to amend the claim to include the tender stage. Allowing Parsons' appeal, the Court of Appeal stated that the amended statement of claim involved the addition of new, statute-barred, tortious and contractual causes of action, in respect of the period prior to July 1 1982, which did not arise out of the same facts, or substantially the same facts as were already in issue.

K/S Norjal A/S v Hyundai Heavy Industries Co Ltd
(FT, November 9)

BY accepting appointment two arbitrators undertook "to use all reasonable despatch in entering on and proceeding with the reference" (see section 13(3) Arbitration Act 1950). Having accepted appointment, they became entitled to reasonable remuneration for their services but their acceptance did not carry with it any right to a commitment fee and there was no basis on which entitlement to such a fee could arise as an implied term. For an arbitrator who had accepted appointment without reservation subsequently to insist on payment of a commitment fee as a condition of continuing to perform his services, would constitute misconduct. Whether such misconduct justified his removal depended on the circumstances, Mr Justi ce Phillips stated. However, in this case, the arbitrators' request for a commitment fee was in response to the parties' request that they hold themselves available for 60 days in the middle of 1992. What had occurred was that parties and arbitrators had reciprocally sought to negotiate a degree of commitment beyond that implicit in the appointment.

Owners of Sardinia Sulcis v Owners of Al Tawwab
(FT, November 13)

After a collision between two ships and a compromise on one issue and a referral to arbitration on another matter, the defendants' solicitors received advice from correspondents in Italy that the owners had ceased to exist as a result of merger. They issued a summons in the Admiralty Court to strike out the action on the ground that it had been commenced in the name of the wrong party and/or a party that had ceased to exist when the writ was issued. Meanwhile the plaintiffs had issued a summons to correct the name. Mr Justice Sheen decided all points in favour of the plaintiffs. Dismissing the defendants' appeal, the Court of Appeal held that in the present case there could be no reasonable doubt as to the identity of the person intending to sue, namely the person in whom the rights of ownership were vested when the writ was issued. Moreover, even if the amendment did not relate back and the present writ was a nullity, the court would have no hesitation in amending the order to give effect to the parties' intention.

The Handy Mariner
(FT, November 14)

BY A contract for sale, Intertradax as sellers and Etablissements Soules as buyers, agreed the sale of a cargo "c.i.f. free out Lorient – discharge 400 metric tonnes per hold/whether working day . . . demurrage $3,500 per day *pro rata* with half dispatch". The contract provided that other terms should be in accordance with Form 100 of the Grain and Feed Trade Association (Gafta). Clause 16 of Gafta Form 100 provided "discharge shall be as fast as the vessel can deliver in accordance with the custom of the port". The Handy Mariner arrived with the cargo at Lorient on September 30 1987. Owing to congestion in port, she had to wait for a berth until October 13 before the cargo could be discharged. Dismissing the sellers' appeal that time started to count when the vessel arrived in port or when notice of readiness was given at the latest, the Court of Appeal stated to undertake liability for demurrage while the vessel was in port waiting for a berth, would be an open commitment in a contract for purchase since the receiver could not control congestion in port. Clearer words would be required before holding that buyers had assumed liability and time started to count when the vessel berthed.

Aviva Golden

LEGAL NOTICES

NOTICE OF CREDITORS MEETING UNDER SECTION 48(2) INSOLVENCY ACT 1986

LEEMANCOLOUR LIMITED
STRIKEDENE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at Bank House, Charlotte Street, Manchester, M1 4BX at 11am on Tuesday 15 January 1991 for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under Section 48 of the said Act and, if thought fit, appointing a committee.

A proxy form is sent herewith. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than 11 January 1991 at 12 noon, written details of the debts they claim to be due to them from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditors intends to be used on his behalf.

Date: 21 December 1990

J D Harrison
Joint Administrative Receiver
Cork Gully

CASTLE CONTRACTS LIMITED

Registered Number: 1811617
Nature of business: Recruitment Consultancy - Now Dormant
Trade classification: 38
Date of appointment of joint administrative receivers: 24 December 1990
Name of person appointing the joint administrative receivers: National Westminster Bank Plc
IAN NAPIER CARRUTHERS and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 814 and 292)

Cork Gully
43 Temple Row
Birmingham B2 5JT

TECHNOLOGY

New robot quickens the pace

A MAJOR Swiss chocolate manufacturer will soon be equipping its factories with a new type of robot, known as the parallel robot, which is faster and lighter than almost any other robot on the market.

Of Swiss origin, the concept for the Delta robot was developed at the Ecole Polytechnique Fédérale de Lausanne and has been industrialised by Demaurex, a precision automation company. The advantage of the parallel robot design is that the heaviest parts of the machine, notably the drive motors, are completely static at all times. In other robots these have to be integrated into the moving arms, giving additional weight and inertia which has adverse effects on speed and precision.

Characterised by a very simple mechanism, the Delta resembles an upside-down tripod, at the apex of which is suspended a platform to hold the robot "hand". Each "leg" of the tripod engages, at its top end, with a shoulder which is driven by a motor fixed to the robot base. By rotating the three shoulders the suspended platform can be made to move in three translational axes.

The impression of the Delta is one of extreme fragility. When the first European application began just over a year ago, workers doubted it would last even three months. In reality, however, Swiss packaging company Sandherr reports that it runs without difficulty, two or three shifts a day, five days a week.

In the Sandherr application, the Delta is integrated into an automated production system for making environmentally-friendly yoghurt pots. The robot is equipped with a vacuum gripper to transfer the recyclable paper components to the machine that adds the plastic component – also recyclable.

In the forthcoming chocolate factory applications, the Delta robots will be used to fill plastic blister packs at the rate of 80 chocolates a minute. The robots will be equipped with vision systems as the chocolates arrive randomly on a continuously moving belt and the blister packs are also carried on a conveyer.

Anna Kochan

Lynton McLain explains how British Airways is using IT to maximise the profit from its flights

Computers climb into the hot seat

There are no wings on the computers at British Airways, but without computers BA would never leave the ground.

The airline is so dependent on its computers that it is spending the equivalent of two new Boeing jumbo jets – £150m a year – on information technology. This amounts to 3 per cent of BA's gross revenue, a figure set to rise to 5 per cent in the late 1990s.

British Airways sees itself as a "global service business dependent on the excellence of our information technology," says Jenny Sharp, BA general manager for corporate training.

Information technology has become so important to BA that the airline wants three quarters of the airline's annual intake of 200 young graduates to work in IT, alongside the 2,200 IT staff which make up almost 5 per cent of the airline's 49,000 staff.

Yet while the business of BA is flying airliners and passengers around the world, the flights are no longer the starting point, but the end product of other activities – the main one being the management of information. This has grown in importance since BA was state owned and less computerised, when it was driven more by production – its flights and airliners – than by marketing the seats.

In the early days, airliners flew on a wing and a prayer that passengers would materialise to fill the seats. But given the high price of jumbo jets and intense competition to win passengers in a sluggish market, the current emphasis is on maximising the profit from each flight.

BA's marketing tools aimed at maximising profit include turning flights and seats into "products". These help passengers choose a favourite airline, rather like the makers of soap powder who claim their product washes whiter in the hope of earning loyal customers.

Yet, unlike soap powder, airline seats have no shelf life. Sir Colin Marshall, chief executive of British Airways, says "a seat on a flight is the ultimate perishable item". Once an airliner takes off with an empty seat, it has lost an opportunity to earn revenue.

To help sell seats BA uses one of the fastest and largest computer systems outside the defence industry, with 200,000 terminals attached to 15 mainframe computers and 200 midrange computers, mostly from IBM. The system can extract data from anywhere on the BA world network in two seconds from a memory with more data (10 gigabytes) than all the words in 1,000 London telephone directories.

John Watson, director of information management at British Airways, says: "You couldn't run a logistical operation like an airline without information technology."

Logistics for BA involved carrying 25.2m passengers on 274,000 flights to 164 destinations in 75 countries using 229 aircraft in 1989-90. The complexities multiply with the 26 fare levels BA offers, in currencies from the 75 countries.

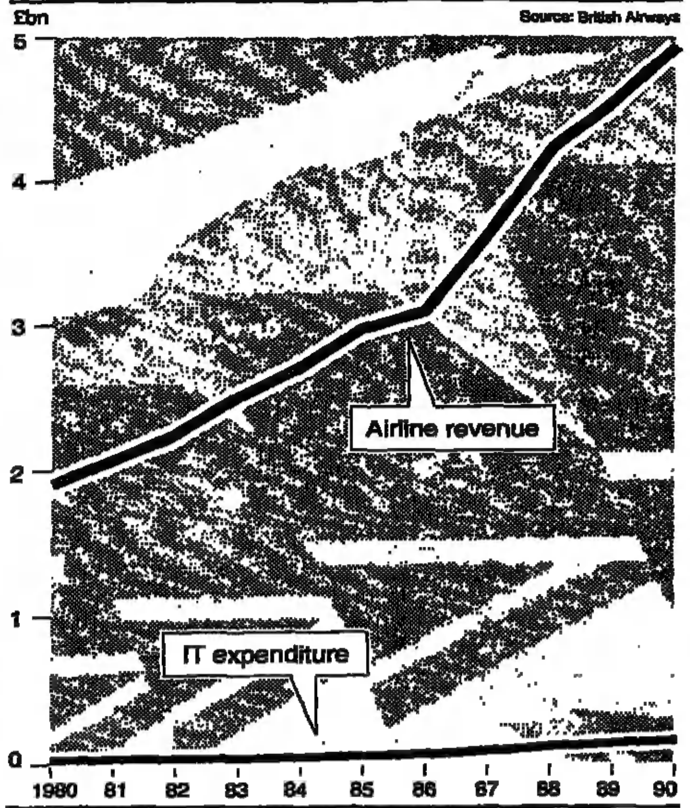
The airline can seek to link seat availability to the currency a passenger uses. When sterling is strong, for example, BA may limit the availability of seats to passengers paying in weaker currencies.

"With an average of one flight departure every two minutes with two or three classes, 70,000 passengers each day and a mass of historical data to analyse, we have employed the most sophisticated forecasting and decision support systems imaginable to help make us the most profitable airline in the world," Sir Colin says. "This is a strategic use of technology."

The enormous number of permutations implicit in the possible combinations of these figures demands computers to juggle them to maximise the yield, or profit, from each seat flown by BA. Much of the juggling happens in "real time", such as when a passenger awaits his tickets at the travel agent or an aircraft is redirected to take account of a following wind.

Maximising the profit from each seat is "yield management," says Watson. Yield management is the alchemists' stone of airline management. Correctly handled, it can yield gold for airline shareholders; badly handled, or not handled at all, it can yield disaster, for a failure of yield management amounts to a failure to make the most of the hugely expensive airliner.

BA revenue and IT expenditure



The problem for BA, along with most other international airlines, is that it "only makes a profit if we sell seats at the highest possible price. These are first class and executive seats, just the ones that cost people a lot for the freedom not to turn up if they do not want to. Yet if the seat is not used, the product [the seat] perishes and the profit can be lost because it is not available for sale to somebody else," Watson says. "It is very easy to fill the plane and lose money."

But airlines overbook flights precisely so this does not happen – the yield per seat is maximised by having more than 100 per cent of the seats booked. Much of the IT effort and investment at BA is dovetailed to the management of overbooking, in such a way, it hopes, that a majority of its passengers will not be upset and those who are upset will be paid handsomely if they are victims of overbooking.

The ultimate task of the BA board is to manage the booking of each seat to produce maximum profit. To do this, BA "compares the actual daily booking patterns at least 12 times a year with previously made forecasts of the booking patterns," Watson says. "The nearer you get to the date of a flight, the more you revise the booking forecasts, so by the day the flight is due to take off the forecast is close to the actual booking for that flight."

This enables the airline to offer seats for maximum profit up to the last minute, so a seat that might have been held in the hope that it would be sold for a high ticket price, but remained unsold at that price as the date of the flight approached, could be offered at a lower fare and at least produce some revenue.

Generally, however, the later a passenger books, the higher the fare. The passenger is paying for the privilege of not giving the airline the advance warning it would ideally like to enable it to make the accurate forecasts it needs to maximise the profit from each seat.

The constant revision of forecasts sounds simple, but to be most effective in producing profits the technique requires precise forecasting. This is where the airline's bank of data on booking patterns comes in, going back several decades. It has become the airline's biggest, intangible asset.

The more comprehensive the data, the more accurate the forecast and the greater the possibility of maximising the profit for each seat. This explains why BA is seeking to get more information about its passengers' travel habits.

Sir Colin, in a recent speech on IT, says IT is "inseparable from the operation of our business". He sees it both as a utility and as a strategic tool. As a utility, BA expects to be able "to switch on IT like electricity and expect it to work without having to think much about it," he says. As a strategic tool it offers "a means of changing the very nature of your business, your products and your services".

BA claims to know the contribution of its computer systems to its business, but it is reluctant to discuss what this is and how it is evaluated. "The financial impact of yield management using our computer system is massive, running into tens of millions of pounds a year," Watson says.

The importance of IT to BA is illustrated by that fact that in spite of duplicating all the information on two separate databases, BA still spends more than £500,000 a year on insurance against loss or failure.

The airline is seeking more computers, more capacity and more information about its passengers' travel habits to enable it to remain competitive. It would like more computer capacity in the 1990s, equivalent to a total of almost 50,000 books of the London telephone directory, or 500 gigabytes, 50 times the capacity of its present system.

IT relegated to the back bench

By Alan Cane

TECHNICALLY SPEAKING

The difficulties encountered by local authorities and information technology suppliers alike in providing adequate computer support for the collection of Britain's community charge illustrate vividly what happens when the data processing implications of a change in policy are underestimated or ignored.

Automation, at its simplest, should bring savings in money and jobs. In these terms, the poll tax has been an unmitigated catastrophe. Recent Audit Commission figures indicate that the rating system raised £17.8bn at a cost of £200m or 1.1 per cent of the total collected. Community charge raised £13.2bn at a cost of £411m or 3.1 per cent.

In one local authority, where 250 people were needed to collect rates under the old system, another 200 had to be taken on to handle poll tax.

New computer systems had to be installed and new and complex computer software written. Software suppliers are bitter about the way the software was commissioned, with specifications changing daily and much being left to individual interpretation – a notorious recipe for disaster. It seems likely that no supplier made much money out of developing poll tax software.

This is not an attack on the community charge. It is, rather, a warning about a worrying tendency within government to make policy without regard for the data processing implications of new legislation. Worse still, there is an assumption that computer specialists and computer systems will be able to cope, no matter what demands are made of them.

Despite the poll tax fiasco, there are plenty of signs that the lessons are not being learned. Changes in the health service designed to improve cost control, for example, will depend for their success on effective use of IT. But was the role to be taken by information technology integral to the basic planning or tacked on as an afterthought to solve the administrative problems? Many of those involved in the practical side of the business tend to the latter view.

The obvious danger is that if this continues unchecked, a whole raft of new legislation could soon be in place, underpinned by hastily patched together or inadequate computer systems.

There are clear lessons from business where over the past few years it has become accepted that if IT is to be used effectively there must be close integration between data processing strategy and business planning. But it is not easy. It has become the single most intractable problem for information technology directors, taking precedence over meeting project deadlines or recruiting enough qualified staff.

George McNeil, managing director of Groupe Bull's UK subsidiary, wrote to John Major when he became prime minister offering consultation and advice on the next round of poll tax computerisation.

Something more than individual initiatives is needed, however, something more akin to a government chief information officer (or organisation) charged with ensuring that IT implications are taken fully into account in strategic planning. There are two possible candidates for this role, a minister for information technology or the Central Computer and Telecommunications Agency (CCTA). The first, however, has been effectively abandoned and the second has had its teeth drawn in successive reorganisations.

Because there is little to be gained from new bureaucracy, it may be time to resuscitate the notion of a IT minister at cabinet level, backed by a revitalised CCTA and possibly a panel of industry experts.

Such a guardian of the nation's computing capabilities would have killed the poll tax at birth.

Assessing investments

Real men eat quiche in East Anglia

Charles Batchelor spends a day with 3i in Cambridge

Jim Martin: 3i Cambridge invested £22m in 52 deals in 1989/90

Alan Harper

It is 8.45 on a Friday morning in the Cambridge office of 3i, the largest UK venture capital group. The thick mist covering much of Cambridgeshire has delayed the normal 8.30 am start of the meeting to review potential investments and Jim Martin, 3i's local director, is keen to get started.

Martin and his six fellow executives are weighing up a request for just over £100,000 of loans and equity from an entrepreneur who has developed a new vending machine. A precondition for 3i backing the deal (jointly with another venture capital firm) is that the entrepreneur finds a managing director to provide commercial skills.

Nick Wood, the young 3i executive who is handling the deal, believes that the technology has great potential but he has been unable to find a suitable managing director from among the 3i register of available executives. He is worried that 3i will lose the deal.

John May, another senior executive (an investment controller in 3i parlance), has different doubts about the project. He believes that recent food-poisoning scares have made people reluctant to buy meals from a vending machine. Jim Martin is more concerned at the failure to find an md. "If we can't find someone maybe there is something wrong with the project," he says.

Martin suggests one local entrepreneur whom 3i has backed in the past. But he also tells Wood to comb the 3i register once again for other possible names while at the same time drawing up a one-page description of the job they want done. "It can be done in a few days," he says.

The vending machine start-up is one of two possible investments to come under scrutiny in what 3i calls its "fast forward" meetings on this particular Friday morning. The other is an established trading company which wants expansion finance.

The problem here is that the company has consistently failed to make its forecast profits and, with a large slug of low-cost Business Expansion Scheme finance already in the business, it may well jib when 3i offers finance at a more commercial – that is, a higher – rate.

Any deals which are slightly tricky are dealt with in the so-called fast forward meetings to ensure that they do not get pushed to the end of the queue. These meetings allow a group discussion of any weaknesses in the company or the financing proposal and provide an opportunity for the more junior members of the team to gain experience.

3i's approach to assessing investments may hold some useful lessons for the business-person seeking venture finance. Its methods are not dissimilar to those employed by many of the 120-plus UK venture firms, many of them headed by people who began their careers with 3i.

The Cambridge team normally holds fast forward meetings twice a week but if a very quick decision is required a meeting can be called at any time. Martin is conscious of the criticism frequently thrown at 3i that because it is a large organisation it is slow and bureaucratic.

Martin can personally authorise three quarters of the deals which cross his desk while another 20 per cent can be approved after consultation – usually by phone and fax – with another 3i director. Only 5 per cent – where 3i is being asked for more than £1m worth of equity and/or loans – needs to be referred to head office in London.

The East Anglian region has been a source of good business to 3i in recent years. The Cambridge office invested £22m worth of loans and equity in 52 deals in 1989/90 though the economic downturn has depressed activity. Martin expects to invest only about £15m in 35-40 deals in 1990/91.

A chartered accountant with experience of working for two large industrial companies, Martin, now 36, has been with 3i for 10 years, the last 2½ heading the Cambridge office. The rest of his team come from largely financial backgrounds though some have industrial experience. They can call on specialists at head office for more detailed industrial expertise.

With 24 regional offices in addition to its London headquarters, 3i has by far the densest regional coverage of any venture capital firm in Britain. Rivals say that this allows it to dictate the price of many regional venture capital deals but Martin is adamant that competition from local and London-based funds is tough.

Even so, 3i's local presence does give it a strong advantage. All local companies with growth potential are closely monitored. Even the entrepreneur who walks in off the street seeking finance is unlikely to be completely unknown to the 3i team, claims Martin.

Surprisingly, in an industry which likes to give an impression of dealing in precise financial ratios, 3i's criteria for backing a project appear vague. "We have no formal financial targets," says Martin. "We look at whether the business has growth potential and we assess the people."

The fast forward meeting over, Martin has an appointment with Elmjet, a three-year-old company which has racked up large but not entirely unexpected losses developing an inkjet technology.

Orders are finally starting to come in in growing numbers and Elmjet needs to raise a fifth round of financing early in 1991. Geoff Broad, Elmjet's managing director, has good news for Martin. Elmjet is on the verge of signing a big supply contract with a US printing company.

Broad says he may not need extra cash next year but he wants a "buffer" in case his cash-flow forecasts prove too optimistic. Instead of putting in more equity would the eight investors each be willing to guarantee a £100,000 bank overdraft? Martin agrees on behalf of 3i.

In retrospect, says Broad, eight investors are far too many. When orders dried up early in the year and the going got very rough each one had a different view on how Elmjet could solve its difficulties. In addition, five fund-raisings in three years proved a considerable drain on Broad's time. Better to have arranged bigger slugs of capital which could have been drawn down to an agreed time-table, he says.

Back in the office Martin and Nick Wood have a lunch meeting arranged with two executives they are backing in a start-up deal to exploit a new printing technology. The deal, which requires 3i to provide £500,000, has a number of complications. The company which owns the technology wants a quick deal; 3i's lawyers are saying they will not be able to complete the "legals" in time; and the other venture capital investor involved is dithering.

The four men go through the details of the deal over the quiche and bottled water. They can do nothing to hurry the other venture capital company and the two entrepreneurs are left to spend the afternoon waiting for a phone call.

They hear later that the other venture capitalist has got cold feet. The deal is put on hold and 3i is left looking for another investor.

The meetings so far have all involved companies known to Martin but after lunch he has a 1½-hour drive for a first-time meeting with Tony Graham-Enock, joint founder of Spoils, which has a chain of 21 reject kitchenware shops. Graham-Enock has told 3i he wants a £1.2m loan to buy a larger warehouse but Martin hopes in the long run to provide equity finance too. Spoils is expanding quickly and is projecting pre-tax profits approaching £750,000 on sales of £12.5m.

Graham-Enock says he has always thought of 3i as being too expensive – "We're as tight as ticks," he explains – but he wants to see what Martin can offer. After questioning Graham-Enock about his business for 1½ hours, Martin outlines four possible ways of structuring a loan deal. Before he can make a definite offer, though, he needs more detailed cash-flow figures.

It is nearly 7pm before the discussion finishes. Martin still has the drive back to Cambridge before him and his desk to clear. The mist has lifted though.

Pausing on the brink

Charles Batchelor advises companies in difficulty to consider whether insolvency is absolutely necessary

The directors of companies facing financial difficulties should think twice before leaping into liquidation or initiating insolvency proceedings, according to the Institute of Directors.

Many directors may be panicked into starting formal insolvency procedures at the first sign of trouble because of the severity of the penalties for wrongful trading created by the Insolvency Act 1986 and because they have misunderstood the true legal position, the institute warns.

The mounting toll of business failures has prompted the institute to issue emergency guidelines* advising caution before directors rush to the receiver. January is the time when banks tend to make up their accounts and review the level of outstanding debts.

"This year is going to be difficult for many companies and small businesses and it is important that directors should be aware of avenues open to them which fall short of the irrevocable step of liquidation," Peter Morgan, director general, says.

The institute's guidelines remind directors that there is nothing inconsistent with their duties under the Act in asking for an informal creditors' moratorium to give time for a company to resolve its problems – provided they do so on proper professional advice.

They also point out that several insolvency procedures – voluntary arrangements, schemes of arrangement, administration, receivership and administrative receivership – provide a framework for a rescue or a restructuring.

The new legislation does expose directors to serious risks and personal liability if they are found guilty of wrongful trading but they should beware of adopting an unrealistically defensive course and of being too ready to deliver the company into the hands of its bankers, the institute says. Non-executive directors, who face the same penalties as executive directors, may be particularly tempted to take this course.

"It would be a sad irony if a major reform designed to eliminate disreputable conduct actually proved to increase the volume of business failures," the institute says.

* *Guide to Boardroom Practice – Companies in Financial Difficulties. From Director Publications, Mount Barrow House, 12 Elizabeth Street, London SW1W 9RB. Tel 071-730 6060. 3 pages. £3 + 50p p&p.*

In brief...

■ Concern at the low levels of training among small business owners has prompted the trainers to reassess the effectiveness of their methods in recent years. Training The Small Business Owner – Have We Got It Right? is a one-day conference to be held in London on March 7.

It aims to suggest new approaches to training and is intended for people involved in small business advice and training.

Contact CASL, Congress House, 55 New Cavendish Street, London W1M 7RE. Tel 071-485 0531. Fee, including VAT, £299 (before January 31) and £368 thereafter.

■ Smoking at work has become a contentious issue which few businesses can afford to ignore. In 1982 only 6 per cent of companies had formal policies but by 1989 the number had risen to more than 20 per cent while 80 per cent of large companies had moved at least as far as creating no-smoking areas.

A new guide* entitled Smoking Policies at Work has been drawn up by The Institute of Personnel Management. The institute advises that any policy must be thoroughly discussed and agreed with the people who have to live and work with it.

Issues which may arise include the fact that smokers may be in a minority overall but may form a local majority in some areas; that many smokers will concede the rights of non-smokers while some non-smokers may defend the rights of smokers; and that accommodation presents one of the thorniest problems.

**Available from the Development Officer, IPM, IPM House, Camp Road, Wimbledon, London SW19 4UX. 10 pages.*

Single copies available free on receipt of stamped addressed envelope or 25p each for more than one copy.

■ Sustaining the Family Business, a one-day seminar on the special problems facing the family-owned company, will be held in London on February 25. Among issues to be discussed is whether there is a need for the creation of an independent forum to discuss questions affecting the interests of family businesses.

Contact The Royal Society for the encouragement of Arts, Manufactures & Commerce, 8 John Adam Street, London WC2N 6EZ. Tel 071-930 5115. Fee (for non-fellows of RSA). £35 inc VAT.

■ Britain's small businesses absorbed more than 1m people who had been made redundant by large companies in the 1980s but their capacity to take up much of the expected increase in unemployment in the current recession may be more limited.

This is one of the conclusions arising from the latest NatWest Quarterly Survey* of Small Business in Britain published by the Small Business Research Trust.

The number of businesses surveyed which expected employment levels to decline in the final 1990 quarter exceeded those expecting an increase by 2 per cent. The numbers expecting sales to increase outnumbered those expecting a fall by 5 per cent but this figure was sharply lower than the 15 per cent recorded in the third quarter of 1990.

Since lower sales lead in time to lower levels of employment it seems inevitable that labour shedding will continue and possibly accelerate, the survey's authors said.

High interest rates remained the number one concern of small business owners (reported by 25 per cent of respondents) but low turnover/lack of business moved up to become the second most important issue, pushing cash-flow and payments into third place.

**Available from SBRT, School of Management, Open University, Walton Hall, Milton Keynes, MK7 6AA. Tel 0908 655831. Single copies £15; annual subscription £45.*

Touche Ross

VIGA

Viga Sports and Leisure Wear Limited

(In Administrative Receivership)

The business and assets of the above company are offered for sale.

The Company is engaged in the distribution of its own brand of sports and leisure wear under its branded name VIGA.

Main features are:

- ☐ Respected name and trade mark VIGA.
- ☐ Annual turnover approximately £1 million.
- ☐ Order book of approximately £100,000.
- ☐ UK customer base includes retail sports shops and major multiples.

For further details, contact Ted Wetton or alternatively the Joint Administrative Receivers Gurpal Johal and Ralph Preece at the address below.

10-12 East Parade, Leeds LS1 2AJ.
Tel: 0532 439021 (Ext.256). Fax: 0532 445580.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Member DRT International

Touche Ross

Glenfrome Engineering Limited

(In Administrative Receivership)

The Joint Administrative Receivers, Mr Peter Thurston and Mr David Bird, offer for sale the goodwill and assets of the above company located on a substantial freehold site at Hudds Vale Road, St. George, Bristol.

- ☐ Engaged in the specialist field of coachwork conversions and stretching of limousines, the company had a turnover for 1989 of approximately £3.3 million.
- ☐ Main business:
  - Conversion of stretched Volvo cars into funeral hearses, and limousines.
  - Vehicle conversions, made to order, based upon Mercedes/Rolls chassis.
- ☐ The company has obtained outline planning permission for residential development on the site.

For further information contact Peter Thurston or Janice Cox at the address below:

Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP.
Tel: 0272 211622. Fax: 0272 292801.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Member DRT International

Touche Ross

Harris Computer Developments Ltd

(In Administrative Receivership)

The Joint Administrative Receivers, Mr P.L. Thurston and Mr A.M.D. Bird, offer for sale the business and assets of the above company, which has written and supplied a variety of housing and revenue software packages to 26 local authorities throughout the UK.

- ☐ The major asset for sale consists of 5 year licensing agreements together with intellectual property rights to the underlying source code. These carry a contracted income in excess of £825,000 over the next 5 years. Potential exists for increasing this income by the renewal of agreements by customers in the immediate future.
- ☐ Other assets for sale comprise the goodwill of the company, together with leasehold premises at Nailsea, Avon, computer equipment and all office furniture, fixtures and fittings.

For further details, please apply in writing to P.L. Thurston at the address below or by telephone to Ralph Paterson.

Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP.
Tel: 0272 211622. Fax: 0272 292801.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Member DRT International

Touche Ross

Cosmetic Pencil Manufacturer

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company.

- ☐ Nottingham area.
- ☐ Fully equipped industrial unit.
- ☐ Freehold and leasehold properties situated on 1½ acre site.
- ☐ Turnover approximately 2 million.
- ☐ Product mix 75% cosmetic pencils, 25% speciality pencils.
- ☐ Skilled management team and workforce.

For further details and a sales package, please contact Lindsay Denney or Nick Dargan at the address below:

1 Woodborough Road, Nottingham NG1 3FG.
Tel: 0602 500511. Fax: 0602 590060.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Member DRT International

Touche Ross

Cellular Service Provider

The Joint Administrative Receivers, D.L. Morgan and R.A. Powdrill, offer for sale the subscriber base and business of a provider of cellular services based in East London/Essex.

- ☐ The subscriber base comprises approximately 1,400 current numbers.

For further information contact A. Brannon at the address below.

Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 480 7766. Fax: 071 480 6881.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Member DRT International

J F Powell FCA and D R Wilson FCA, Joint Administrative Receivers

Welland Group plc

Welland Homes — Welland Group — WSJ

Following the appointment of Joint Administrative Receivers to Welland Group Plc and subsidiaries the following businesses are available for sale:

Welland Homes East Ltd
Quality house builder based in Market Harborough, Leicestershire
- Turnover £14.7m p.a.
- 12 sites in East Midlands
- Substantial land bank

Welland Homes West Ltd
Quality house builder based in Oswestry, Shropshire
- Turnover £8.4m p.a.
- 11 sites in West Midlands
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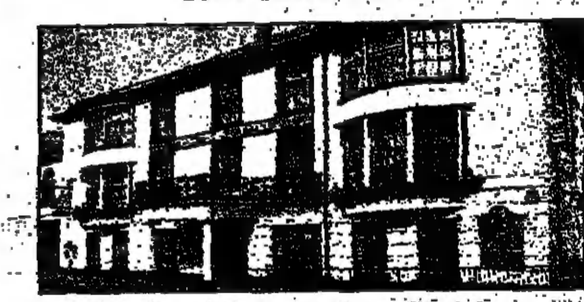

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Two pianists

WIGMORE HALL

Between them, on Thursday [illegible] Friday, Angela Hewitt [illegible] James Kirby delivered Beethoven's opp. 26 and 27 from 1801. Miss Hewitt played the A-flat sonata which constitutes the former, and also the "Moonlight" *sonata quasi una fantasia*, op. 27 no. 2; Kirby, its very different companion-piece in E-flat. Yet there were scarcely any points of direct comparison between their recitals.

Kirby's was his London solo début – he is just going on 25, though he surfaced in the BBC "Young Musician of the Year" competition in 1982, and has recently been studying and performing in Russia. Obviously his programme was designed to show his range, and it did that quite strikingly. He began with Mozart's great A minor Sonata, K. 310, sustaining its air of frenetic passion while respecting the boundaries of 18th-century style. His Beethoven was characterised with no less energy. Though he might have marked structural points more firmly, both sonatas fairly bristled with lively ideas.

In Prokofiev's big, baleful Sixth Sonata, Kirby's Russian training was an evident asset: a bold spectrum of colour and feeling, confident keyboard-attack and control. He lavished sympathy on Peter Lawson's new "Song of the Dark Red Helleborine", an addition to a long series in which Lawson aims to do for wild orchids of the British Isles what Messiaen has done for birds (and in unabashedly similar terms).

Best of all were the *Valses nobles et sentimentales*, where Kirby combined an unerring grasp of Ravel's idiom with great flair and imagination. This [illegible] a pianist whose development should be well worth tracking.

Miss Hewitt is already much admired as a [illegible] and has also won her spurs in [illegible]. She likes one-composer programmes. This time she played Beethoven exclusively – but not, I thought, to entirely confident effect.

In the op. 26 sonata with which she began, a dryish touch (and very frugal use of the pedal) did little for Beethoven's lyrical line, nor did her unyielding metronomic rhythm help. One couldn't help thinking that this was Beethoven by a Bach specialist. Her account of the "Moonlight" was conventional but for a decidedly swift first movement (it *is* marked "Adagio sostenuto", after all) – no special insights justified this performance of an over-familiar work.

As one hoped and expected, the "Eroica" Variations and Fugue and the "Appassionata" Sonata suited her much better. Her sturdy sense of structure came into play, and there was even some wit in the Variations, if not much of the lusty comedy they invite. Her "Appassionata" was solidly purposeful, again along well-tried lines, and yet without any special sheen: to say that it sounded rough-and-ready would be only slightly unfair.

Despite her sterling virtues in other music, Miss Hewitt has some way still to go with Beethoven.

David Murray

An unsung talent

William Packer on Sheila Fell at the RA

Two current exhibitions [illegible] brate [illegible] who died too [illegible] and whose [illegible] has been largely [illegible] in the interval. *Sheila Fell: A Retrospective*, a touring exhibition organised by [illegible] Bank Centre, [illegible] to the Royal Academy from [illegible] showing [illegible] ford (until January 20: then on to Ayr, Kendal, Eastbourne and Jarrow). And *A Hymn [illegible] Love: [illegible] Urquhart*, is [illegible] the Cheltenham Art Gallery & Museum (until January 26).

Sheila Fell died in 1979 at the age of 48 as the result of an accident at home. She had been elected A.R.A. ten years before and by the time of her death was already a full Academician of some six years' standing. Even so, to say she was exactly well established would be a little misleading. The Academy apart, [illegible] was unrepresented by any major London Gallery, indeed had hardly shown in London since [illegible] closure [illegible] Beaux Arts Gallery in the mid 1960s. All that, perhaps, [illegible] change, for the New Grafton Gallery had lately shown her, and change in any case was in the [illegible] – [illegible] all too [illegible].

[illegible] look [illegible] at [illegible] itself [illegible] the position [illegible] occupied, in [illegible] knowledge of [illegible] subsequent development [illegible] British painting and the shifts in critical attitudes towards it, is [illegible] be poignantly aware [illegible] what [illegible] have been. Then she was still, in critical terms, a marginal, [illegible] parochial figure in [illegible] context of [illegible] conceptual and abstract [illegible] of international painting in the 1970s, and the awful vapidities of conventional post-modernist and neo-figurative expressionism still to burst upon us. Now, [illegible] that [illegible] such heroes as Schnabel and Salle, Haring and [illegible] exposed for [illegible] equivocal compliment [illegible] was, real painting has again come into its own, with the contribution of older British artists [illegible] last rightly placed high within it.

The case for such artists as Auerbach, Freud and Kossoff, each in his way set in the profound tradition of European expressionism, has by now been well [illegible]. But [illegible] must be many, especially in the ranks of those younger British painters who have been encouraged [illegible] think they have [illegible] ered the figurative image and thick paint for themselves, [illegible] the work of Sheila Fell [illegible] now [illegible] revelation.

[illegible] always a landscape painter, [illegible] never of the [illegible] and objective [illegible] record variety. Rather it was that her experience of the landscape [illegible] necessarily removed, [illegible]figured and distilled in her imagination, a thing of memory and deep association. In this she was quite as much a romantic and a symbolist [illegible] expressionist. If her working of the surface of the canvas and, in the imagery, her obvious reference to the everyday life of the field and village, might look to Van Gogh in his practical aspect, to Permeke or early Mondrian, the more [illegible] spiritual qualities in her work call to mind artists as various [illegible] Chagall [illegible] Soutine, Samuel Palmer and Millet and, of course, Van Gogh again, [illegible] visionary.

This [illegible] league [illegible] we [illegible] be careful not to exaggerate her claim, but all true artists set themselves against a true measure, as they see it, and such comparisons are properly more humble than impertinent. [illegible] the point [illegible] family [illegible] one. The people [illegible] loves. [illegible] kitchen at home, only instead of relatives one has the paintings of Cézanne, Daumier, [illegible] Gogh, Permeke."

She was born in 1931 in Aspatria, a [illegible] in Cumberland [illegible] far from the [illegible] but [illegible] hills. Though she moved to London in the late 1940s, where she studied, [illegible] St Martin's, and [illegible] there [illegible] life, returning only occasionally [illegible] Cumberland, [illegible] was always the land[illegible] home, [illegible] scape of dark hills and lowering skies, [illegible] villages, [illegible] subject. It was [illegible] thing she made entirely peculiar to herself, immediately recognisable [illegible] quite unmistakeable.

The palette is dark, olive, ochre, grey, and the tone pitched low. "Cumberland is very dark", she said, "but being dark it is also brilliant." Figures move through the very paint itself, not so much intruding upon the landscape as of its very being, as much part of [illegible] as the stones themselves. As in the work of [illegible] Lowry, [illegible] much misrepresented and misrated, the image is of a place active and inhabited, at once real and credible and figment of the creative imagination. "I do not want to be thought of primarily as a landscape painter", she wrote. "I hope that the nearby community is implicit in my landscapes ... A painter can be rooted in reality, but by his efforts transcend it. Or he can be rooted in his dream but lean out of it towards reality. The greatest artists have both these qualities ..."

Jane Urquhart died in 1983 at the age of [illegible], having suffered a [illegible] breakdown as a schoolgirl from which she never really recovered. [illegible] hardly painted at all in her last ten years, the body of her work being concentrated upon the five years or so of her early twenties, and some of the more ambitious symbolic compositions have since been lost. [illegible] what remains of [illegible] would seem to be remarkable, in particular the still lifes of fruit, and dolls tied up with string, realised with an almost hallucinatory intensity. If I get half a chance to see the show, I shall take it to report on expectation either satisfied or disappointed.

Sheila Fell's 'Portrait of Anne Fell', 1958

Cornet Rilke

MANHATTAN SCHOOL OF MUSIC

The Manhattan School maintains the standards of adventurous, imaginative opera that were set when John Crosby (of the Santa Fe Opera) was its president. Its latest production – the American première of Siegfried Matthus's *The Lay of Cornet Christoph Rilke's [illegible] and [illegible]* – is the most exciting thing that [illegible] happened onstage here since the City Opera's [illegible] *and Aaron*.

The text is the composer's arrangement of Rainer Maria Rilke's famous poem – vignettes of military life, leading to a night of love followed by an heroic death as the Cornet bears the regimental banner into the heart of the foemen and falls beneath their scimitars. The hero – a 17th-century ancestor of the poet – is a dashing young Cherubino gone to war, defending his country against the Turks. The opera was composed for the reopening of the Dresden house, five years ago, and has been widely played in Germany.

It's not easy to stage; Matthus leaves much to the producer, simply writing lines of the poem into the score as they were [illegible] directions. In [illegible] pages of very exciting music, the Cornet must [illegible] in a blazing castle, [illegible] his [illegible], make his way through blazing hallways, leap to horse, gallop [illegible] fray, [illegible] surrounded, fall. Linda Brovsky and Miguel Romero, the producer and the designer, [illegible] attempt [illegible] show *all* this literally, but they [illegible] in an imaginative, economical, [illegible] striking production.

Matthus divides the title role between two mezzos, one giving voice to his words and the other to his thoughts. The mysterious, anonymous countess, his first – and last – love, is similarly played by two sopranos. The love duet is a rapturous stretch of four high voices entwining. Christine Abraham and Lisa Livingston, the mezzos, and Nina Warren and Anoosh Barclay, the sopranos, [illegible] all fine young singers. But the biggest [illegible] in the [illegible] that of the chorus – which is, [illegible] effect, Matthus's main orchestra, composed for through [illegible] range of [illegible]tures and colours, in up [illegible] 16 parts. The Manhattan singers, trained by Gary Wedow, [illegible] with a security and eloquence [illegible] had hardly dared to hope for.

In the pit there is an unusual orchestra: four flutes, two harps, [illegible]lo horn ([illegible]lendidly played by Sara Della Porta), electric bass guitar, and three percussionists. Much of the time *Cornet Rilke* [illegible] a chamber [illegible] it swells into "grand opera" [illegible] the chorus is in full cry, the percussion crashes, [illegible] military signals ring out from the horn. Matthus writes tellingly and gratefully for voices and brilliantly for instruments.

A special knapsack edition [illegible] Rilke's [illegible] accompanied young Germans to the 1914-18 front, inspiring them with [illegible] glorious [illegible] in defence [illegible] the Fatherland. Matthus [illegible] all the romance [illegible] the poem (more fully, I think, than Frank Martin did in his song-cycle setting), but he finds no "glorification of heroic death" here – rather, "the tragedy of a youth who ... runs blindly [illegible] death." This opera for Dresden begins [illegible] poem, from the *Buch der Bilder*, about a blazing theatre and the [illegible] within it; and then the Cornet's adventures are [illegible] within a powerful [illegible].

The [illegible] Raid – Matthus has called it "Germany's Hiroshima" – was 45 years [illegible], but people both British and German still bear its scars. In a country [illegible] leader seems to be trying to prepare people to support a new war, this production of *Cornet Rilke* gained new urgency. It is serious, stirring and beautiful.

Andrew Porter

Fall of communism throws up culture crisis

Betty Caplan visits the 'Points East' festival in Glasgow

In the past 45 years, *Hamlet* has become almost an obsession in Eastern European theatre, and listening to a unique gathering of artists, performers, administrators and critics at Glasgow's Third Eye Centre recently one could begin to see why. This organisation has played a pioneering role in bringing East and West together: a conference on the role of the arts was accompanied by performances and an exhibition entitled "Expressions" which runs until February 10.

Like the young prince caught between two eras, the countries represented at the "Points East" festival have not quite shaken off the vindictive ghosts of the past. "Give Me Back the Enemy" sang Jill Dedecek, Czechoslovakian poet and songwriter. The years of repression at least offered a clear monolithic opposition and theatre, which thrives on metaphor, [illegible]rated a whole system of double-speak in which audiences took great pleasure in reading between the lines.

Now that the "Father" has [illegible], a vacuum has opened up. East German playwright, Heiner Muller, speaking at the ICA last year remarked that Marxism, with all its faults, was at least a utopian ideology, the secularisation of the Christian dream. Consumerism is ill-equipped to take its place. "Theatre is a space for [illegible]. Communism has [illegible] discredited for [illegible]erations. People who don't dream go mad," he warned.

Ironies abound. Now that artists no longer [illegible] to [illegible] in code and are [illegible] in the streets, perhaps no-one wants [illegible] listen. Janus Marchk of the Studio Arts [illegible] in [illegible], "[illegible] arts have lost political function and [illegible] importance. The aesthetics have not changed yet. There is a lack of a middle class, which is normally the main consumer of culture." The paternal ghost may have been a tyrant, but he did at least consider art a necessity and saw that his children were materially cared for.

Now the state is withdrawing, artists unused to "fighting their corner" are having to learn new skills. Michael Trizuljakova, of the Slovakian Parliament of Culture outlined new economic legislation which would have crippling consequences for artists who now find themselves having to pay 20 per cent increases in social security, though pressure has succeeded in allowing them to be introduced gradually. Studio rents have risen in some cases by ten times and tax privileges are being withdrawn.

Many Eastern countries have idealised the West. Again and again at the conference there were calls for help with practical details – managerial and negotiating skills, copyright law, author's rights, typography, [illegible] of establishing smaller, [illegible] structures (as though [illegible] had solved all [illegible] problems). Peter Prescott, Director of Arts at the British Council, said drily, "We can offer you our tradition of scepticism," and Sandy Nairne of the Arts Council re-assured visitors that "We are as bad at capitalism as you were at communism."

In many countries there is a desperate need [illegible] and information and it is hardly surprising [illegible] a [illegible] explosive sexual revolution seems to be taking place alongside the economic and political changes. [illegible] European [illegible] quarterly edited in Ljubliana recently [illegible] to [illegible] sex [illegible] English stage. "People taking [illegible] clothes off, [illegible] kind of thing. [illegible] unheard [illegible] here!".

One of the key needs in the immediate [illegible]tors – [illegible] art [illegible] has [illegible] regarded as something of a handmaiden. Donald Pirie pointed out that poor translations had ruined the reputation of many an excellent writer.

Although a hard currency curtain seemed to be rapidly replacing the Iron one of yore, there are encouraging examples of innovation. In Serbia, large state publishers are struggling to survive, but smaller private ones are sprouting, managing to subsidise the publication of such rarities as the plays of Aeschylus and Euripides by selling quantities of more commercial titles. In Romania, freelance director Faynia Williams discovered a theatre company which had developed a sideline in making coffins to supplement its income, and another which had opened up an amusement arcade in the basement.

And although Joszet Tornai, chair of International Pen Budapest bemoaned the death of poetry in a country [illegible] that [illegible] has traditionally been revered, [illegible], Czechoslovakian theatre director, [illegible] that crying was "not constructive. Culture is internal, it requires our own support. The current situation provides us with our greatest test."

What seems most important of all is to remove our own barriers, most dangerous of which is to regard our colleagues in the East as beggars. Richard Demarco, Edinburgh gallery director [illegible] a passionate promotor [illegible] Europe, emphasised that it was necessary to "resist Western European methods of art promotion and selling which reduce all art works to [illegible] objects." [illegible] funding policies [illegible] to be [illegible] in [illegible] to [illegible] risk-taking, [illegible] and the development [illegible] spiritual dimensions. We could learn from Poland [illegible] art flourished [illegible] a system [illegible] did not insist [illegible]

Brendel shares his thoughts

MUSIC SOUNDED OUT
by Alfred Brendel
[illegible] £16.95, 258 [illegible]

[illegible] latest collection of [illegible] lectures and interviews follows an almost identical pattern to his [illegible] anthology *Musical Thoughts and Afterthoughts*. It begins with substantial sections devoted to those composers who have always formed the hard core of Brendel's repertoire: to the Viennese classics, Beethoven, Schubert and, after a short but characteristically detailed discussion of Schumann's *Kinderszenen*, to Liszt. From these specialised studies of individual composers he moves on to more general topics such as the case for live recordings, programme-building, a tribute to the conductor Wilhelm Furtwängler, Bach on the piano, and a lively debate with the pianist Artur Schnabel (who died [illegible] 1951), conducted by [illegible] of [illegible] interview with Schnabel's biographer Konrad Wolff.

Some of the essays are rigorously technical, lavishly illustrated with music examples, taking for granted a high level of musical knowledge and perhaps read most profitably with the relevant scores to hand. [illegible] just as Brendel never underestimates the ability of [illegible] readers [illegible] follow and absorb the most complex, strictly musical arguments, [illegible] their [illegible] technical his explorations are permeated with flashes of sudden illumination which not only set the mind thinking but which present seemingly familiar [illegible] in a totally [illegible] light.

In summarising the differ[illegible] Haydn and Mozart, or what he identifies as an antithesis between, among other things, instrumentally and vocally inspired music, motif and melody, startling caesuras and seamless connections, daring and balance, he goes on to show how "from tranquillity Haydn plunges deep into agitation, while Mozart does the reverse, aiming at tranquillity from nervousness." Picking up the same thread in a lengthy examination of the comical in [illegible] he argues that, [illegible] Mozart surpri[illegible] us with the expected, [illegible] is in the [illegible] of the unexpected that Haydn excels.

Why does classical music [illegible] itself [illegible] readily to comic effects? Because "it seems to me to reflect, in its solid and self-sufficient forms and structures, the trust of the Enlight[illegible] in rational [illegible] rule the universe". And [illegible] on from [illegible]ere, examples from Haydn, Mozart and Beethoven are analysed in cunning detail to illustrate the proposition that the comical [illegible] grotesque in music are [illegible] product [illegible] a deliberate breaching of firmly established order and instantly recognisable conventions. Any pianist, he writes, who has [illegible] making somebody [illegible] his audience laugh at the end of Beethoven's G major Sonata Op.31 [illegible] should become an organist.

The [illegible] of [illegible] essay, "A Mozart Player Gives Himself Advice", might be applied, with the loss of just one word, to the book as a whole. For, [illegible] informed by a [illegible] strain of scep[illegible] self-doubt [illegible] "frequently motivated by self-help", his concentrated probing of the compositional and interpreta[illegible] problems in a [illegible] Beethoven or [illegible], or Liszt [illegible], his [illegible] on [illegible] of phrasing, tempo and rhythm, allow us [illegible] observe at close quarters the complicated [illegible]ught processes [illegible] into a typical Brendel performance. He can be provocative and severely critical, and not everybody will agree with some of his conclusions. But, [illegible] he says, his essays are not meant to be oracles but should be regarded more as works in [illegible] which, like musical performances, continuously call for [illegible] insights and [illegible]. And as he is a man [illegible] uncommonly [illegible] interests, those insights and suddenly revealing analogies might just as often be drawn from literature, painting [illegible] architecture as from music [illegible].

Robert Henderson

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BARCELONA

Gran Teatre del Liceu [illegible] Theo [illegible]cantara conducts Pagliacci with Jose Carreras as Canio and Respighi's Maria Egiziaca with Monserrat Caballe (412 1466)

■ BERLIN

MUSIC
Staatsoper unter den Linden 19.30 [illegible] Die lustigen W[illegible] Windsor (2004 762)
Komische Oper 19.00 Harry Kupfer's German-language staging [illegible] Cosi fan tutte (2292 555)
DANCE
Deutsche Oper 18.00 Ring um den Ring, joint production by Deutsche Oper and Béjart Ballet Lausanne, Wagner's [illegible] choreographed by Maurice Béjart. Repeated tomorrow (3410 249)
THEATRE
Berliner Ensemble 19.00 An evening of Kurt Weill (2827 712)
Deutsches Theater 19.30 Der Lohndrucker by radical [illegible] German playwright Heiner Muller (2871 225)
Schaubuhne 19.30 The [illegible] Tale [illegible] by Luc Bondy, designed by [illegible]. Also Wed, Fri, [illegible]
Schiller Theater [illegible] Tod, [illegible] Juliet by [illegible] (8195 236)

■ BRUSSELS

Palais des [illegible] 20.00 Les [illegible] du Roy [illegible] symphonies and concertos by Mozart (507 8200)

■ COLOGNE

[illegible]
Philharmonie 20.00 [illegible] music by Lubos Fiser, [illegible] and Dvořák with the Gurzenich Orchestra (2801)
Opernhaus [illegible] Blaubart (221 8400)
THEATRE
Schauspielhaus [illegible] del Carretto, Lucca, in Italian-language staged version of Homer's Iliade. [illegible] till [illegible] (221 [illegible]

■ DRESDEN

Semperoper [illegible] Der fliegende Holländer (4842 731)

■ FRANKFURT

Weissfrauenkirche [illegible] by Rheinsberger, Handel [illegible] Holler sung [illegible] played [illegible] members of the Frankfurt Opera ensemble [illegible]

■ GENEVA

Grand Theatre 20.00 Concert [illegible] of Daphne [illegible] Thielemann, [illegible] Lucia Popp in [illegible] role, Paul Frey [illegible] Apollo [illegible] Ahnsjo as Leukippos. [illegible] Thurs and [illegible] (212311)

■ HAMBURG

Philharmonie [illegible] Marriner [illegible] Hamburg [illegible] Philharmonic Orchestra in Mozart's Symphony No [illegible] and Elgar's Enigma Variations, [illegible] Piano Concerto No [illegible]
[illegible] 19.00 [illegible] Gretel, [illegible] and Fri (351555)
Deutsches Schauspielhaus 19.30 First German staging [illegible] Ayckbourn's [illegible] Moment, [illegible] Thurs (248713)

■ LONDON

[illegible]
[illegible] Graham Vick's production [illegible] Butterfly, [illegible] as Pinkerton and Alan Opie as Sharpless. [illegible] Fri (836 3161)
[illegible] Hall 18.00 The Ring [illegible] Part One, reduced version [illegible] Wagner's Tetralogy by City [illegible] Birmingham Touring Opera. Part Two [illegible] Thurs (928 [illegible])
Barbican [illegible] 19.45 London Philharmonic [illegible] by Leon [illegible] give UK premiere of Richard Wilson's First Symphony, [illegible] First Symphony [illegible] Violin [illegible] (638 8891)
DANCE
[illegible] Garden [illegible] Royal Ballet production [illegible] The [illegible] by Mark Ermler, [illegible] Darcey Bussell [illegible] Cassidy in principal roles. Also Thurs (2401066)
[illegible] Hall [illegible] English National Ballet production [illegible] The Nutcracker. [illegible] till [illegible]
THEATRE
This [illegible] shows include: Pinter's [illegible] Homecoming directed by [illegible] Hall, with [illegible] Lunghi (Comedy, previews). Also [illegible] Wind in the Willows directed by [illegible] Hytner and Brian Cox as King Leer (National), Ingmar Bergman's Scenes from a Marriage (Wyndham's), Vanessa, Lynn and Jemma Redgrave in [illegible] (Queens). Anouilh's The [illegible] (Garrick), Joan Collins in Private Lives (Aldwych), Miss Saigon (Drury Lane), Andrew Lloyd [illegible] Starlight Express, Aspects of Love and Phantom [illegible] the Opera, Ayckbourn's [illegible] of the [illegible] (Globe, closes [illegible]) and Absurd [illegible] Singular (Whitehall).

[illegible] for seat availability: Plays 0836 430959 Musicals 0836 430960 Comedies [illegible] 430961 Thrillers [illegible]

■ MUNICH

MUSIC
[illegible] 19.00 Un ballo in maschera with [illegible] Millo and Peter Dvorsky. [illegible] Thurs (221316)
Philharmonie 20.00 Munich [illegible] Orchestra [illegible] by Uros Lajovic play [illegible] Symphony [illegible] Tchaikovsky's Violin Concerto [illegible] 614)
THEATRE
Prinzregententheater 20.00 Moliere's L'ecole [illegible] (225754)

■ NEW YORK

DANCE
[illegible] State [illegible] York City Ballet programme includes Souvenir de Florence and Balanchine's [illegible]
Metropolitan [illegible] 20.00 Thomas [illegible] Cheryl Studer, [illegible] Quilico, James [illegible] and [illegible] Rosenshein. [illegible] Sun (362 [illegible])
THEATRE
This week's [illegible] Assassins, new musical [illegible] Stephen Sondheim (Playwrights Horizons), City of Angels, [illegible] Hollywood in the 1940s by Larry Gebhart (Virginia), [illegible] Blue, an evening [illegible] classic jazz and [illegible] tap dancing (Minskoff), [illegible] in a Box, one-man [illegible] by Spalding Gray (Lincoln Center) [illegible] Degrees [illegible] Separation, [illegible] play by John [illegible] (Lincoln Center). Ticketron (239 6200) [illegible] inquiries and [illegible]

■ PARIS

MUSIC
Opera [illegible] Gabriele Ferro [illegible] Le nozze di Figaro [illegible] a [illegible] led by [illegible] Furlanetto and Ruth-Ann [illegible]. Also Fri (4001 1616)
Théâtre [illegible] Champs-Elysées 19.30 Leningrad's Maly [illegible] in Rimsky-Korsakov's The [illegible] (4720 [illegible])
TMP-Chatelet [illegible] Hermann Prey sings [illegible] 2840)
DANCE
Théâtre de la Ville [illegible] Triton, [illegible] ballet by Philippe [illegible] Company till [illegible] (4274 2277)
THEATRE
Comedie Française 20.30 Le [illegible] by [illegible] (4368 4360)

■ ROME

Teatro dell'Opera 20.00 Tosca [illegible] by Daniel Oren, [illegible] Raina [illegible] in [illegible] title role. Also Fri [illegible] Sun [illegible]

■ VIENNA

Staatsoper 17.30 Tristan und [illegible] conducted by Peter Schneider, with Hildegard [illegible] and William Johns.
Fri: Rene [illegible] sings Tristan (51444 [illegible])
[illegible] 19.00 Der [illegible] Luxemburg (51444 3318)

Telephone [illegible] of [illegible] for the Staatsoper and Volksoper [illegible] available worldwide for holders of [illegible] by ringing Vienna 5131 [illegible]

■ WASHINGTON

Eisenhower Theater This month's performances of King Arthur and [illegible]

■ ZURICH

Opernhaus 19.30 [illegible] Sylphide choreographed by Peter Schaufuss (251 0909)
Tonhalle 20.15 Claus [illegible] Flor [illegible] Tonhalle Orchestra in a programme of Janáček, Haydn and Mendelssohn, with Martha Argerich. [illegible] Wed, Thurs, Fri (201 1580)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
Eurosport
0800-0830 [illegible] Business report
[illegible]
1230-1300 CNN [illegible]
1330-1400 [illegible] Day
[illegible] World [illegible] Tonight – a joint FT/CNN [illegible] day's major [illegible]
[illegible] World [illegible] Tonight
0100-0130 Moneyline
Superchannel
0700-0830 Financial [illegible]
A [illegible] ing [illegible] times [illegible] 0700 [illegible] 0800 [illegible] (Wed only) Financial [illegible] – [illegible] round-up.

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World Business Tonight – a joint FT/CNN production.
1540-1610 Moneyweek
1900-1930 World Business This [illegible]
[illegible] Money

SUNDAY
Superchannel
1800-1830 FT Business Weekly
CNN
0710-0740 Moneyweek
[illegible] Your Money
1900-1940 Moneyweek
0040-0110 Inside [illegible]

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Tuesday January 8 1991

The politics of the Gulf

PRESIDENT Saddam [redacted] unlikely to withdraw from Kuwait while he believes that he can survive without doing so. This is the logic behind America's insistence, repeated once more in London by Mr James Baker yesterday, that if there is no withdrawal by next Tuesday Iraq will be forced out. "We have been making the point over and over that this deadline is real," said the US secretary of state. "The only real chance for peace is if Saddam Hussein begins to understand that . . . we are serious."

The message has been reinforced by the British prime minister, Mr John Major. His statements have been quite as firm as any coming from the White House. The same cannot be said of France and Germany. Chancellor Kohl and President Mitterrand both support [redacted] Nations [redacted] tions on the Gulf, but not necessarily the US strategy for *implementing* [redacted] This [redacted] pity. To the [redacted] that they diminish [redacted] Iraqi president's apprehensions, or feed [redacted] hopes, talk in Bonn or Paris of this or that subtle [redacted] to do a deal actually increases the likelihood of war.

The same is true of the prevarications proposed by some Democrats [redacted]. The doves [redacted] argued on two grounds: that President Bush cannot declare [redacted] without first winning the consent of Congress, and that sanctions have not been given enough time in which to work. Neither argument is without merit, but to the extent that either seems likely to act as [redacted] constraint on the use of force, the Bush-[redacted] strategy of trying to frighten Mr Saddam out of Kuwait [redacted] damaged.

Domestic politics

[redacted] appreciated by a *number of Democrats*, but the bulk of them have been preoccupied by domestic politics. They do not want to be seen to support a venture that could go wrong.

They have any opposition's right to say what they please; they have used it to ask that diplomacy and sanctions be given time in which to effect [redacted] of the crisis. They are against the invasion of Kuwait, *of course*, but they do not wish [redacted] be too closely associated with the president. This period of having their cake and eating it may come [redacted] an end quite soon, particularly if Congress *is confronted with a resolution* authorising force in the words used by the UN security council in November. The feeling in Washington is that if there is such a debate during the coming seven days Congress will be fairly evenly divided, but *the president will get his back*ing. The Democrats can afford no other outcome, if they want to avoid the charge of a lack of patriotism.

Labour party

Domestic politics have also had their effect on the British Labour party. [redacted] far, Mr Neil Kinnock, [redacted] Labour [redacted], and Mr Gerald Kaufman, the shadow foreign secretary, have stoutly defended the UN reso[redacted]. They have taken the decision, [redacted] in internal Labour terms, [redacted] in [redacted] run-up to a general election, [redacted] they [redacted] not [redacted] campaigners for peace, but support the use of force if necessary. Their insurance against being associated with a possible *disaster* has been a close adherence to the letter of the UN texts.

Now the Labour party is showing signs of strain. Its nat[redacted] recoil at the sight of US armies, and sue for peace where possible. The unity maintained *so far* by the skilful Mr Kinnock may have survived [redacted] Christmas break, but it is in need of patching up. This may explain the decision by Mr Kaufman *to suggest* in an article in yesterday's Guardian, that "five months and 13 days – the period between the invasion and Tuesday of next week – cannot convincingly be argued to be the maximum time for sanctions to be given a *chance*". [redacted] *spokes*man said nothing new; he can rely on [redacted] trail of texts [redacted] speeches laid with great care over the past few [redacted] But when parliament [redacted] the Conservatives may reasonably seek to call Labour's bluff, and ask them to show by their votes just what the party does support. Labour is as anxious as the Democrats to [redacted] strate its patriotic credentials. *Let* the prevaricators squirm.

Moral hazard in New England

THE collapse of the Bank of [redacted] England at the [redacted] had been anticipated for [redacted] long that [redacted] itself [redacted] ripples, either in the markets [redacted] among deposi[redacted] That must be precisely what [redacted] *wanted*. [redacted] US banking system, particularly in New England, is so fragile that the failure of any [redacted] could cause wide[redacted] damage. The bank is now in the hands of the US government, and the deposi*tors are being paid off*.

The intervention was efficiently handled. None the less, the methods used by government [redacted] well [redacted] time when Washington has embarked on [redacted] potentially historic debate about banking *reform. The authorities are* not only paying out insured depositors up to the $100,000 legal limit, *but also* the uninsured depositors with balances above this level. This additional act of generosity, which will cost the taxpayer [redacted], is being *justified by the need to protect* the stability [redacted] the banking system [redacted] spare the hard-pressed New England economy any further strain.

While the anxieties of the banking regulators are understandable, this generosity flies in the face of the *debate* about the need for a more rigorous form of deposit insurance in the US. It was only through the markets' self-evidently well-founded expectations of a total bail-out that the Bank of New England managed to survive as long as it did. Those expectations ha[redacted] now been reinforced, to the benefit of other weak banks, whose early departure from an overpopulated and stricken industry would *almost certainly* be in the public interest.

Incentive removed

The generous scale of US deposit insurance has played a considerable part in bringing the banking crisis to its present pass. By providing depositors with total protection against loss, it removes [redacted] incentive for [redacted] to form judgments about the creditworthiness of banks. All they need to do is to seek the highest return. This encourages lax bank *management* (or worse), and exposes the insurance system to widespread abuse. The bad habits bred by [redacted] official protection are [redacted] a well-known trap, known [redacted] "moral hazard", which is the incentive [redacted] irresponsible behaviour created by insurance.

In this case, the authorities have further enlarged the hazard by opting for a comprehensive rescue, [redacted] course normally justifiable only on the grounds that a collapsing bank poses [redacted] threat to the country's financial system. [redacted] importance *of the Bank of New* England to the local economy, [redacted] demise posed no such threat. It is highly unfortunate [redacted] regional [redacted] have now been added to the growing list of concerns which seem to justify expensive intervention from Washington. In [redacted] way [redacted] threshold [redacted] banks "too big to fail" has been [redacted] to include the country's 33rd largest institution.

Cost of failure

The [redacted] no doubt believed they were serving the public's [redacted] interest in acting as they did, but this view may well turn out to be short-sighted. The cost of allowing the Bank of New England to fail – though [redacted]e – [redacted] certainly have been smaller and more localised than the damage which the rescue will now do to discipline in the banking industry and to healthy depositor attitudes at [redacted] national level.

As Congress considers ways of reforming banking regulation and deposit insurance, it should [redacted] which encourage *rather than inhibit* discipline. This could be done by exposing the depositor to greater risk (for example by offering only partial insurance) or by placing greater responsibility on bank managements (by linking the cost of a bank's insurance premiums more closely to its performance). Unfortunately, it seems unlikely that proposals such as these will receive serious consideration because the concept of [redacted] insurance is [redacted] rooted in the [redacted] banking sys[redacted] – as this weekend's *events have demonstrated*. As a first step, Congress must be persuaded there is a direct connection between these attitudes and the banking crisis it has on its hands.

Clive Cookson looks at recent advances by pharmaceutical companies in the fight against HIV, the virus that causes Aids

Hopes centre on control, not cure

A feeling [redacted] optimism is beginning [redacted] among Aids researchers and patients, after four [redacted] of gloom during [redacted] a single new drug was approved as a primary treatment [redacted] the disease.

During [redacted] past [redacted] weeks several pharmaceutical companies [redacted] said publicly that they [redacted] developed promising drugs [redacted] fight HIV, the [redacted] that causes [redacted]. The most [redacted]nificant news came before [redacted] from Boehringer Ingelheim, of Germany, and Merck of the US, the [redacted] drug company.

Such [redacted] are always [redacted] in [redacted] of extreme caution. *Companies are desperate to avoid* arousing premature ho[redacted] for any drug before it has completed clinical trials, and the dangers are probably greater with Aids – [redacted] is both fatal and highly charged politically – than with [redacted] other [redacted] disease.

Even so, professional followers of Aids research are highly encouraged. "We find more grounds for hope now than for a long time," said Mr John James, editor of [redacted] Treatment News, [redacted] San Francisco newsletter. "Good candidate drugs are coming out of [redacted] today than ever before. And some potential treatments which [redacted] been in process (or in limbo) for [redacted] now be ready [redacted] toward [redacted] foreseeable future."

E[redacted] large international pharma[redacted] manufacturer has an Aids [redacted] programme – though not *every company has come up* with anything worthy of a public announce[redacted] – and the industry as a whole [redacted] pouring hundreds of millions [redacted] dol[redacted]. The [redacted] recent [redacted] from [redacted] US Pharmaceutical Manufacturers Association show [redacted] total [redacted] 77 research projects involving [redacted] medicines [redacted] developed by [redacted]

The prospect of large [redacted] from [redacted] successful [redacted] treatment *is*, of [redacted] one [redacted]. Wellcome of [redacted] UK sold £170m worth of AZT, the only generally approved Aids drug, last year; that disappointed financial analysts who had expected higher sales but it still made a substantial contribution to [redacted] profits.

However, an equally powerful [redacted] for [redacted] industry is to [redacted] doing as much as possible [redacted] combat what many politicians and medical experts [redacted] world's [redacted] public [redacted] challenge.

The [redacted] public panic [redacted] greeted [redacted] of [redacted] in [redacted] 1980s have passed, to be replaced by what *some specialists see as* dangerous complacency about the risks of HIV infection from unprotected sex or drug abuse. The number of Aids victims may not be increasing quite as fast [redacted] some of the scariest projections of the mid 1980s had suggested, but the statistics are still alarming.

[redacted] *World Health Organ*[redacted] estimates that 1.2m cases of Aids have occurred – [redacted] third in children infected from their mothers – since the pandemic began [redacted] decade ago. The *number of people infected with the* virus but not yet showing symptoms of the full-scale disease is about 10m now and likely to be 25m to 30m by 2000. "Of the 10m or more children expected [redacted] be infected, the vast majority will have developed Aids and died by the year 2000," the [redacted] says.

In the African countries [redacted] seriously ravaged by Aids, such as Uganda and Zaire, it is [redacted] disease of heterosexual men, women and children. In *the industrialised West, most* Aids victims are still homosexual men but the number of women and children infected is increasing fast; 11 per cent [redacted] Americans diagnosed with Aids in 1990 were women, according to the Centres For Disease Control in Atlanta.

What the statistics mean for sales of Aids drugs is not at all clear, although pharmaceutical analysts [redacted] working on market projections. Mr [redacted] Culverwell of Hoare Govett, the London stockbroking firm, esti[redacted] annual sales of [redacted] drugs [redacted] in [redacted] years, [redacted]h Wellcome's AZT (brand name Retrovir) still holding half to two-thirds of the total market.

An HIV drug market of £1bn [redacted] year – *as close* as any to a consensus forecast for the mid to late 1990s – would be a relatively small part of the world pharmaceutical industry's total annual sales of [redacted] (It compares, for example, to asthma drug sales of £2.3bn [redacted] year.) The potential [redacted] is not as large as world stockmarket reports [redacted] rumours or [redacted] drugs [redacted] regularly as reasons for pharmaceutical share price movements.

[redacted] of the greatest uncertainties in *forecasting* [redacted] *market is the cost of* new Aids drugs and the extent to which new competition might force Wellcome to reduce further the price of Retrovir. After recommended dose reductions and price cuts since AZT's launch [redacted] the beginning of 1987 [redacted] partly by pressure from US [redacted] who [redacted] Wellcome [redacted] exploiting unfairly [redacted] monopoly position) a typical Aids patient today pays £1,500 a year for AZT. That "is no longer expensive in comparison to other chronic therapies," Mr [redacted] "But DDI and DDC could *come out at a significantly lower price* than Retrovir."

DDI, developed by Bristol-Myers Squibb of the US, and DDC, developed by Hoffmann-La Roche, US subsidiary *of the Swiss Roche group, are furthest* [redacted] of the mainstream anti-HIV drugs in R&D. Both have undergone extensive clinical trials in Europe and North America. Indeed, DDI has been given to 15,000 people through the US government's "expanded [redacted] programme for experimental drugs.

Aids activists in the US spent last year fighting the Food and Drug [redacted] over [redacted] approve DDI and DDC as prescription medicines. They cannot understand why [redacted] *licensing procedures* [redacted] alternative drugs have been so slow in comparison to AZT's swift approval four years ago. Little more than two years elapsed between the discovery in 1984 that AZT could inhibit HIV in a test tube and its approval for Aids patients – a record in the history of drug licensing.

One of the activists' main adversaries, *Dr Ellen Cooper*, head of the FDA's antiviral drugs division, resigned just before Christmas, saying she was fed up with the political pressure for faster approval of Aids drugs. *Although it is not yet clear whether* her departure will hasten or delay the process, many observers predict that DDI and DDC will receive FDA approval this year.

"Although there is no conclusive proof yet, there are strong reasons to believe that either or both of these drugs would be important in medical practice – that physicians could save many more lives with these drugs in addition to AZT than with AZT alone," says Mr James. "The problem is that despite the weight of information suggesting that the drugs do work, there is no single stack of paper that makes a flawless academic case for efficacy."

One of the main reasons why AZT was approved so quickly in 1986-87 is that Aids patients then had *no* treatment at all. The process is slower today for two main reasons. One is that the existence of AZT removes some of the political urgency to approve other medicines. The other is that it is much more difficult to organise convincing clinical trials of new drugs when most patients are already taking AZT and/or other experimental treatments, including unauthorised "underground" drugs.

Indeed DDC itself is well suited for underground use, being cheap to manufacture – a fact that also makes it an excellent candidate for treating *Aids in developing countries.*

Both DDC and DDI fall into the same category of drug as AZT. They are known as "nucleoside analogues" and work by mimicking the chemical building blocks of the genetic material DNA. The virus inserts a false building block into the growing DNA *chain and this* jams the mechanism by which it replicates. To be more precise, it inhibits a viral enzyme called "reverse transcriptase" that is essential for replication.

Because nucleoside analogues can also interfere with human DNA, they tend to be drugs with toxic side-effects. Almost half of Aids patients find they have to give up AZT after months or years because it damages their bone marrow. However, drugs in this category often have varying side-effects, so they may be useful substitutes for one another – and patients may tolerate a combination of nucleoside analogues in low doses better than any single one alone.

Several other companies are testing nucleoside analogues. One promising candidate, code-named BCH 189, was discovered by IAF BioChem of Canada and is being developed jointly with Glaxo, the largest UK drug company. *Laboratory and animal tests* indicate that BCH 189 will have fewer toxic side-effects than AZT, DDI or DDC. Glaxo says clinical trials could start in Europe and North America towards the middle of this year.

A different approach to the toxicity problem is to use a chemical other than a nucleoside *analogue* to block reverse transcriptase in the virus. Both the Boehringer Ingelheim and the Merck drugs revealed last month fall into the non-nucleoside analogue category.

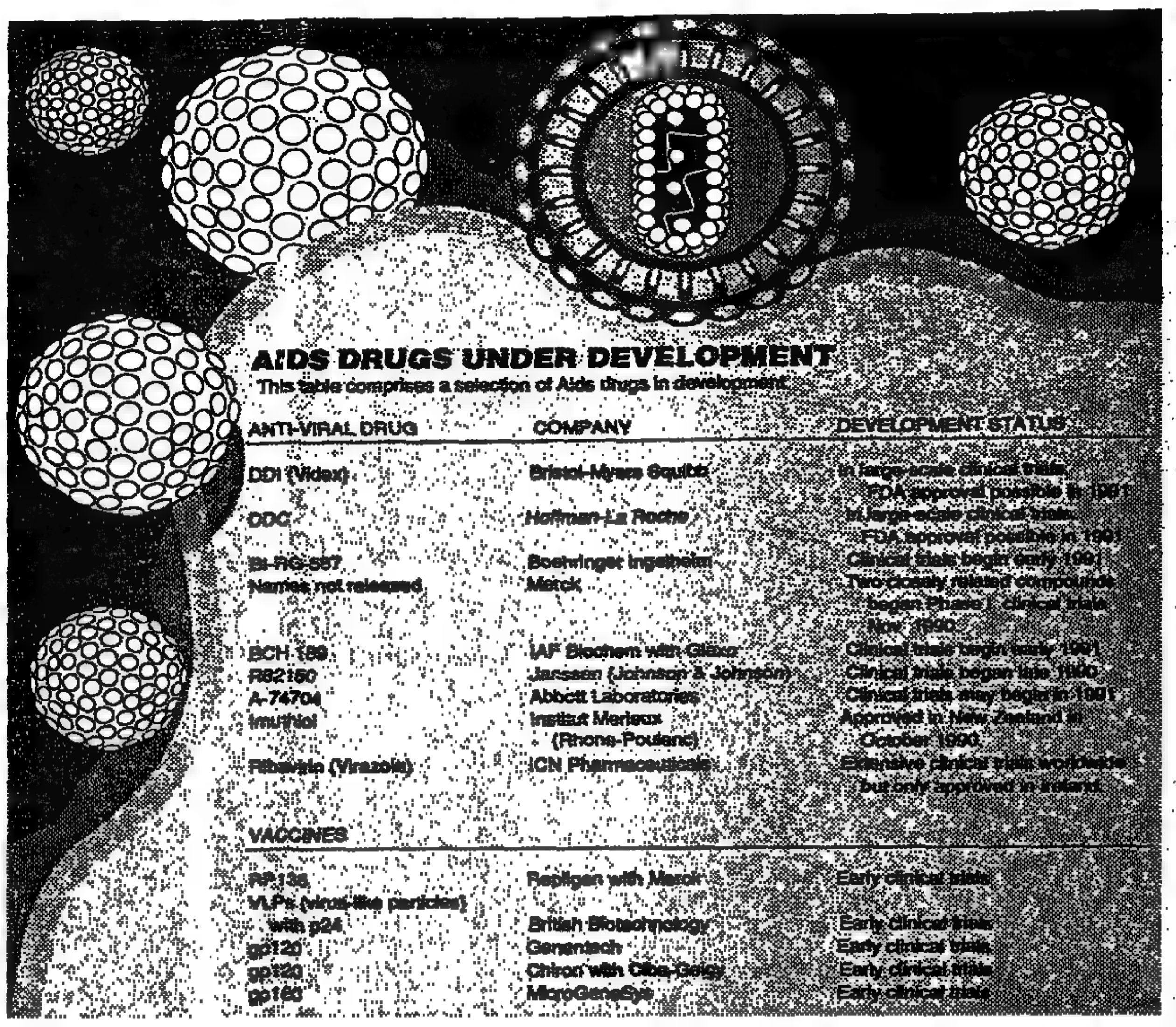
Because of Merck's reputation as the world's most successful pharmaceutical company – and one of the most conservative – Aids researchers see its announcement as a particularly hopeful sign. Merck says it has started preliminary (Phase I) clinical trials on two closely related compounds in Europe and the US.

To discourage speculation the company refuses to identify the compounds, even with a research code-name, or to say where the European trial is being carried out. Merck says its researchers identified a candidate reverse transcriptase inhibitor *last* summer, after screening 23,000 chemical compounds, and have since modified it by "rational drug design", using computer modelling to produce *the two compounds being tested.*

Besides reverse transcriptase inhibitors, the pharmaceutical industry is testing Aids drugs which interfere with different enzymes required by HIV to live and reproduce. "Protease inhibitors" are seen today as the most promising category, though none of these is nearly as far advanced as the reverse transcriptase inhibitors.

A more radical approach is to attack HIV by vaccines. Although most people think of vaccines as a means of preventing infection in the first place, they can also be used to treat diseases such as Aids where the symptoms develop slowly, by vaccination after infection.

For the 10m people worldwide who are already infected with HIV, the best hope is for a drug that will keep the symptoms under control, in the same way that a diabetic stays alive *through regular doses of insulin*. The Aids virus insinuates its genes so deeply into the genetic material of the human cell that there is no hope for several years of "curing" the infection by eliminating the HIV altogether. That prospect will have to wait until human genetic engineering (gene therapy) becomes a reality some time in the next century.



AIDS DRUGS UNDER DEVELOPMENT

This table comprises a selection of Aids drugs in development

ANTI-VIRAL DRUG	COMPANY	DEVELOPMENT STATUS
DDI (Videx)	Bristol-Myers Squibb	In large-scale clinical trials. FDA approval possible in 1991
DDC	Hoffman-La Roche	In large-scale clinical trials. FDA approval possible in 1991
BI-RG-587	Boehringer Ingelheim	Clinical trials begin early 1991
Names not released	Merck	Two closely related compounds began Phase 1 clinical trials Nov 1990
BCH 189	IAF Biochem with Glaxo	Clinical trials begin early 1991
R82150	Janssen (Johnson & Johnson)	Clinical trials began late 1990
A-74704	Abbott Laboratories	Clinical trials may begin in 1991
Imuthiol	Institut Merieux (Rhone-Poulenc)	Approved in New Zealand in October 1990
Ribavirin (Virazole)	ICN Pharmaceuticals	Extensive clinical trials worldwide but only approved in Ireland
VACCINES		
RP135	Repligen with Merck	Early clinical trials
VLPs (virus-like particles) with p24	British Biotechnology	Early clinical trials
gp120	Genentech	Early clinical trials
gp120	Chiron with Ciba-Geigy	Early clinical trials
gp160	MicroGeneSys	Early clinical trials

Mr Major's German mark

■ Chancellor Helmut Kohl has taken quite [redacted] shine to John Major. The prime minister's boy[redacted]harm and touching [redacted] to please the Germans over European integration have helped Britain's cause in the corridors of the Bonn Chancellery.

Margaret Thatcher's well-broadcast fears about Teutonic domination of Europe had started to grate on the [redacted] of [redacted] the most civilised of Kohl's diplomats. No one in Bonn thinks that Major will give up in a hurry Britain's refusal to jettison sovereignty over European Monetary Union.

But the Germans are also not keen on a quick march to Emu, as long as questions, like the independence of the future European central bank, have not been solved. So Major's new friendly style could herald considerable meeting of minds [redacted] London and Bonn.

One high-ranking German diplomat says admiringly of Major: "He is of the new generation. Open-minded, intelligent, [redacted] good listener - you can do business with him." Mrs Thatcher, he adds regretfully, was still influenced by "cliches" about the Germans.

Although Kohl does not know much more about Britain than Mrs Thatcher does of Germany, he is fascinated by British prime ministers. For Christmas, the Chancellor gave one of his speech-writers a copy of the notorious biography of Churchill by controversial right-wing author David Irving. [redacted] chance for Kohl and Major to get to know each other better should come within the next month or so - Gulf crisis permitting - when the Prime Minister is scheduled *to make his first* visit to Bonn for a UK-German summit.

In addition, the Germans are keen to persuade Major to put in a further appearance in Dresden in mid-March. Anglo-German luminaries meeting at the annual Königswinter conference are holding their next gathering there - brought specially to Saxony in east Germany to commemorate German *reunification. Kohl and* Thatcher both attended last year's Königswinter session in Cambridge - and pointedly failed to get on.

A Kohl-Major meeting on the Elbe would help make up for that. It would also be a *symbolic gesture of* reconciliation - something the Germans love - in the city still bearing the scars of Anglo-American bombing in February, 1945.

OBSERVER

Replay

■ Not all those [redacted] with the Levitt group lost their shirts. The failed financial services company received some free publicity on Saturday when the brave lads of Barnet FC trotted out in front of the Match of the Day cameras with the Levitt name proudly emblazoned on *their chests*.

Disgruntled investors may take some pleasure from the *fact that Barnet were thrashed* five-nil at home.

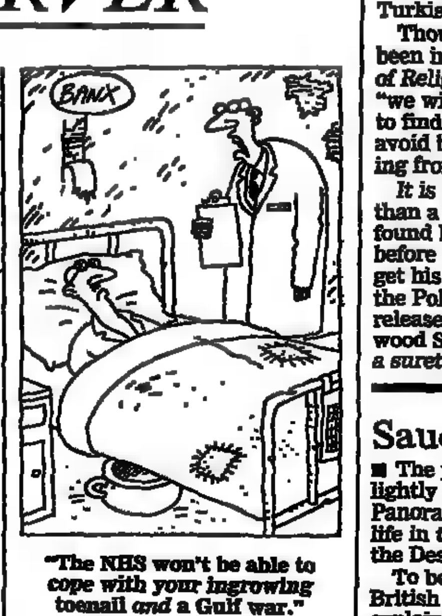
ECU quiz

■ When Her Majesty's Treasury presents its proposals for a legal framework for the hard ECU today, it is a racing certainty that it will have forgotten to invent [redacted] snappy title. If this little object is to capture the hearts and minds of Europeans it will need one.

Michael Prideaux, BAT's public affairs director, has *already risen to the challenge*. He has three names on his short list. The G[redacted], on the basis that good money drives out bad; the Major, as [redacted] sop to the man who invented it; and the Monet. He favours the latter for several reasons.

Mrs Thatcher's Essex men might think it is French for money; Jean Monnet was the father of the EC; and if it holds its value as well as the paintings, then it will be a great success.

The FT's Samuel Brittan suggests the Francfort, which *has a nice ring to it*. But since this comes from his friends in the Bundesbank it does not count. A bottle of the best malt whisky for the winning suggestion. The word of the FT's economics staff is final.



"The NHS won't be able to *cope with your ingrowing* toenail *and* a Gulf war."

Peace mission

■ Mr Ramadan Güney, one of Europe's largest cemetery owners, is rarely out of the limelight these days. As the storm clouds gather over the Gulf, a group of 25 leading Brit*ish Muslims is due to set out* today for Baghdad in a last ditch attempt to persuade President Saddam Hussein to withdraw from Kuwait. Mr Güney, a Turkish Cypriot, is not going *on business, but in his capacity* as head of the United Kingdom Turkish Islamic Trust.

Though the delegates have been invited by the Ministry *of Religious Affairs of Iraq*, "we will be recommending Iraq to find a peaceful solution and avoid bloodshed by withdrawing from Iraq," says Mr Güney.

It is the second time in less than a month that he has found himself in the news. Just before Christmas, he helped get his cousin Mr Asil Nadir, the Polly Peck chairman, released on bail from Wormwood Scrubs by putting up *a surety of £1m.*

Saudi-watch

■ The prickly Saudis got off lightly in last night's BBC 1 Panorama investigation into *life in the kingdom*, "Behind the Desert Shield".

To be sure, a couple of rash British Aerospace employees explained on camera how the *Royal Saudi Air Force* was utterly dependent on British civilian ground crews. But when reporter *David Lomax* said bluntly of Saudi Arabia's conservative Islamic heritage that there were no cinemas or alcohol, those familiar with the Gulf were left waiting for a firm rebuttal.

Even a passing reference *to the imported videos and* widespread private drinking might have set the record *straight*.

Saudi Arabia has been effectively closed to serious television for years. The ruling Al-Saud family are notoriously sensitive to media criticism. Given the sensitivities of the Gulf crisis, it is perhaps fortunate that this *programme* is not going to cause the same stir as the controversial Death of a Princess episode.

Amnesia

■ "Doctor, doctor – I've lost my memory."

"I see, when did that happen?"

France's state-owned electricity industry views aspects of its control by government as a growing hindrance, writes William Dawkins

Gi[illegible]t straining at the leash

France's nuclear giant is straining at its government creator's leash – and the [illegible] has begun to send tremors [illegible] anxiety through some other European power suppliers.

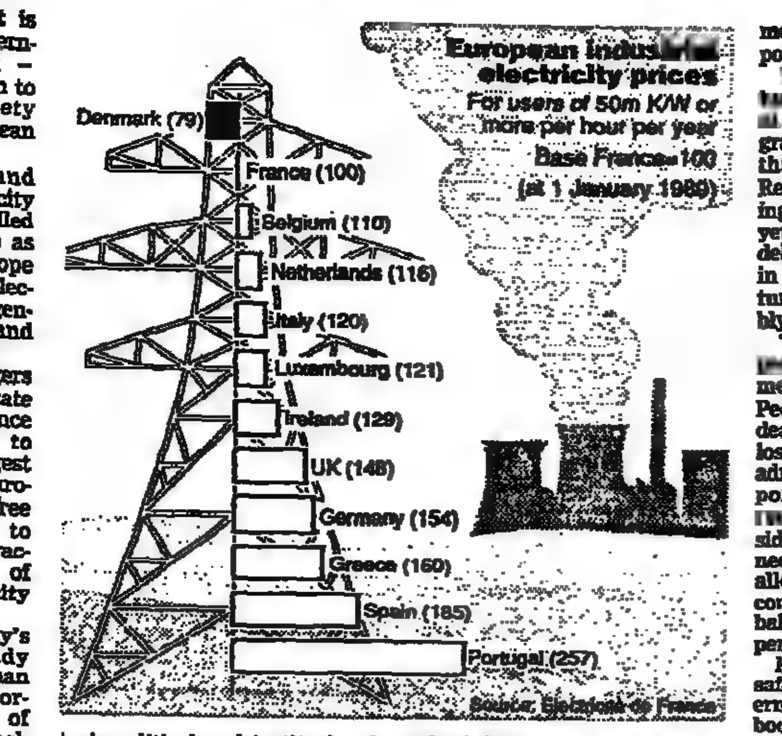
The privatisation and break-up of Britain's electricity industry leaves state-controlled Electricité de France (EdF) as the only monopoly in Europe responsible for all of its electricity system, from power generation, to the network and distribution to customers.

Yet EdF's senior managers are just starting to see state control as more of a hindrance than a help as they try to strengthen EdF as the biggest energy exporter in the European Community's frontier-free market. They also aim to become advisers and contractors in the modernisation of eastern European electricity industries.

The French power utility's ambitions have already aroused the anxiety of German coal-producing regions, worried about the prospect of cheap nuclear electricity accelerating job losses in the mines. In the UK, its attempts to sell excess power to big customers at advantageous rates have attracted suspicion. Only last year, the European Commission enforced changes to a contract between EdF and Pechiney, the aluminium group, on the strength of a complaint from British Steel. The Commission still scrutinises EdF's big industrial contracts.

EdF's managers believe they would have a usefully lower profile if they distanced themselves from the state, an argument commonly heard elsewhere in French state industry, including telecommunications and steel. "Twenty years ago, things were simple, because EdF was a monopoly operating only in France," says Mr Jean Bergougnoux, EdF's managing director. "Now it is different because EdF is exposed to competition."

EdF's problem is that it cannot escape its history. It is a remnant of central industrial control, competing in a world where governments are tending to withdraw from the operation of public utilities. Its evolution from hundreds of regional power suppliers and distributors before the last war to today's monopoly, nationalised in 1946, reflects its country's political and institutional traditions, as do the provincial lines on which the German electricity industry is run, or the free market – critics say potentially chaotic – bias of the privatised British system.



Source: [illegible]

Today, EdF exports 13 per cent of its electricity and competes hard against other utilities, sometimes at the limits of EC competition rules, to attract big industrial power users. In the process its low prices have sometimes attracted the attention of EC competition authorities.

At home, EdF's pro-nuclear policy is coming under unprecedented scrutiny from a worried public. Until recently, the speed with which France has turned itself into the world's most nuclear-dependent country over the past 15 years was a source of national pride. EdF's 57 reactors churn out more than 80 per cent of the country's electricity at the lowest prices in Europe, even if the government forces tariffs lower than the EdF would like.

But the group is now saddled with an embarrassing surplus of seven to eight power stations, according to a recent official report. While EdF itself does not accept this, it does admit that it badly needs export markets. A series of minor accidents, plus an unresolved debate over the storage of high-level radioactive waste, have added to the pressure on the French nuclear consensus.

On top of this, EdF has yet fully to correct a poor record for power cuts, highlighted in the pre-Christmas storms, when at one point 70,000 households were without electricity. The utility needs to spend FFr22bn over the next four years on renewing power lines.

What irks EdF's management most is the way in which the French government curbs electricity prices at the company's expense. In principle, EdF is obliged to keep price rises 1.5 percentage points beneath the inflation rate – and it says it can live with that. Yet in practice, the government holds rates much lower, with the result that EdF has made losses for six out of the past 10 years.

The influential finance ministry argues that this helps curb inflation and [illegible] support the value of the franc – [illegible] idea which provokes [illegible] at the EdF. "If we were [illegible]vinced that the delay in allowing us to raise our tariffs [illegible] necessary to keep the [illegible] safe on the international foreign exchange markets, we would gladly sacrifice on the altar of the fatherland, but we do not believe it [illegible] moment," says Mr Pierre Delaporte, the chairman.

[illegible] EdF's losses and the [illegible] debts built up as a result [illegible] its ambitious reactor programme [illegible] more of a political than a financial problem. Reducing its FFr230bn borrowings is one of EdF's priorities, yet its managers point out that debts have never been so low in relation to EdF's FFr147bn turnover and compare favourably with American utilities.

"Sir [illegible] Brittan [EC [illegible] Commissioner] [illegible] me [illegible] can claim that Pechiney and others are good deals for EdF, and yet make a loss. He is absolutely right," admits Mr Bergougnoux, who points out that EdF has [illegible]ed no government [illegible]sidy for 10 years. "What we need is a pricing policy that allows us to make a profit. A company like EdF must have balanced accounts if it is to be perceived as a fair competitor."

EdF's highly publicised safety record means the government is keen to keep the body under its thumb, if only to mollify the Green party, which has been scoring 15 per cent [illegible] recent opinion polls. Mr Bergougnoux's staff are [illegible] to regain the public's confidence by publishing every reactor incident, on a seriousness scale from one to six.

So how does EdF plan to satisfy people that its power stations are safe, improve the quality of its service and persuade foreign critics that it is competing fairly?

Beyond continuing to [illegible] on honesty, recent acci[illegible] have prompted EdF to tighten up on inspection and repair procedures. The utility also tried to make general management of power distribution more efficient by [illegible] a layer of [illegible] management three years ago. EdF's 100 departmental boards now report direct to central management in Paris, and are directly accountable for their own costs, quality and sales.

For Mr Bergougnoux, the question is how long the government can sustain its [illegible] price policy. "European competition will in the end have its effect. Brussels will remind the government that the electricity market must conform to competition rules." Could it be that Sir Leon is EdF's best ally? Mr Bergougnoux cannot [illegible] bring himself to deny it.

FOREIGN AFFAIRS

F[illegible] more at stake than cheap oil

Edward Mortim[illegible] explains what objectives would be served if a war has to be fought in the Gulf

With just a week to go before the United Nations deadline expires, the attention [illegible] the world community is focused on the Gulf. Rightly so, no doubt, but that very absorption brings with it additional dangers.

In 1956 the crisis over the Anglo-French invasion [illegible] Egypt muted world reaction to the [illegible] of Hungary. Let us hope that President Mikhail Gorbachev, [illegible] some [illegible] the [illegible] whom he is now surrounded, do not choose crunch week in [illegible] as the opportune moment for a crackdown in the Baltic states, calculating that the west will turn a blind eye.

One reason why we face such a grave crisis in the Gulf is that in the weeks [illegible] Iraq's seizure of Kuwait senior policymakers in Washington and other [illegible] capitals were absorbed [illegible] east-west issues. Consequently they paid [illegible] to [illegible] warning signals from Iraq, and failed to send back to Baghdad any clear message of the way they would react if Kuwait were invaded. The shame of that gross blunder will be doubled if the same mistake is now made in reverse.

In saying that, I am not seeking to duck the issue of war or peace in the Gulf or to belittle its importance. To expect me to say anything original on that subject when [illegible] already been said would hardly [illegible] realistic, and [illegible] expect [illegible] anything I said could influence the [illegible] would [illegible] presumptuous in the extreme. But it is one of those [illegible] when all commentators have [illegible] responsibility to make clear where they stand.

The first point to remember [illegible] that the decision to wage war, over which the rest of the world is now agonising, [illegible] long [illegible] by [illegible] Saddam Hussein himself. In 1980 he resorted to war in an attempt to settle his differences with Iran. Iran was guilty of provocation, but even so was entitled to the support of the world community in resisting aggression. Regrettably it did not get it.

In 1990 Mr Saddam repeated the [illegible] was no provocation, unless we accept as such [illegible] to respect its oil production quota, or its refusal to hand over money and territory on demand. The resort to military force was entirely of Iraq's choosing. The international community is entitled, and arguably obliged, to respond [illegible] kind. The argument is not about right, but about the feasibility of the operation, and about the lengths to which military action should be [illegible].

Could [illegible] objective be [illegible] by [illegible] than all-out military attack? Many of us thought so. Iraq's econ[illegible] is acutely import-dependent, and its ability to finance imports derives almost exclusively from its position as an oil exporter. As far as is known Iraq has not been able to export any oil since August 2. People in Iraq are not starving, and if babies have died, as the regime [illegible] claiming, [illegible] its fault, not that of the sanctions.

But Iraq's economic development, on which Mr Saddam's [illegible] legitimacy [illegible] depend, has come to a dead stop. [illegible] longer [illegible] present situation goes on, the greater [illegible] hardship [illegible] frustration. This could have been exploited by opposition groups such as [illegible] which have come together in Damascus to form a united front, and will be holding a conference in Lon[illegible] later [illegible] month [illegible] "human rights and democracy in Iraq". It is strange that these groups have been [illegible] so little encouragement or even publicity in the west.

In time, the Ba'ath regime might have [illegible]. But by early November [illegible] Bush had evidently reached the conclusion that international solidarity against Mr Saddam would crack first. The decision which he [illegible] announced, to send an extra 150,000 American troops to the region, followed by the setting of the January 15 deadline, effectively locked us all into a timetable too short for there to be much hope of Mr Saddam being removed by any internal process, and into a strategy of forcing him [illegible] of Kuwait by the threat, and failing that, the use, of military action.

Whether that decision [illegible] right or wrong, it is too late to change it now. My guess, and my fervent hope, is still that Mr Saddam will blink first.

He does not in fact have to carry out [illegible] complete withdrawal by next week in order to avoid war. A US-led military offensive, already very problematical in terms of domestic and international politics, will become politically impossible if Iraq appears to be in the pro[illegible] withdrawing, or if it has withdrawn from the inhab[illegible] part of Kuwait. The crisis would go on, but if it reverted to being a crisis about a couple of islands and part of an oilfield, full-scale war as a means [illegible] settling it would become unthinkable.

The argument is not about right, but the feasibility of the operation, and the lengths to which military action should be taken

There are those, of course, who think we should have a war with Iraq irrespective of what happens to Kuwait, and that even a full Iraqi withdrawal without war would be a "nightmare scenario". I cannot go along with that. Full withdrawal without war would be a great victory for world order and, [illegible] he might [illegible] to present it, a humiliating defeat for Mr Saddam. After it, his political future should be decided by Iraqis, not by out[illegible]. As for his weapons [illegible] mass destruction, they should be the subject of regional arms control negotiations – [illegible] which Israel would have to take part.

But if Mr Saddam does not blink there will be war, in which case we should be clear what we are fighting for. It would not be a war for cheap oil, or for the interests of US oil companies. Those interests would have been better served by allowing Mr Saddam to keep Kuwait, in which case he would have acquired the same interest that Kuwait had in keeping oil prices competitive [illegible] the long term. One of its objectives would indeed be to prevent military force from being used to dictate policy throughout the world's main oil-producing region. But the overriding objective would be to make clear that military force cannot be used simply to wipe a state off the face of the map.

If you say this at dinner parties, people look at you pityingly as if you were hopelessly naïve. Since when, they ask, has the US been seriously concerned about international law? What about Grenada or Panama? I do not necessarily defend those actions but I do think there is [illegible] difference between intervening to change the government, especially [illegible] government that has installed and maintained itself in power by violence, and intervening [illegible] abolish the state altogether. Anyone who is willing to let Iraq get away with annexing Kuwait [illegible] no [illegible] to [illegible] on in opposing US action in Grenada or Panama.

Similarly with the argument [illegible] Israeli occupation in Gaza, the Golan and the [illegible] Bank (including east Jerusalem). [illegible] were first occupied Israel had [illegible] credible justification in self-defence, as Iraq certainly did not have in Kuwait; and again, Israel [illegible] not actually suppressed any pre-existing state. Even Morocco in western Sahara and Indonesia in East Timor have not done that: they moved in in time [illegible] prevent an independent [illegible] being formed.

Personally I should like to see all these issues resolved [illegible] a genuine act of self-determination of the inhabitants of the territories in question. But it is pure self-delusion to suppose this will ever be achieved by [illegible] world which takes no action when faced with the even more flagrant challenge of Iraq's seizure of [illegible].

In fact the only other case [illegible] recall in [illegible] history of states being forcibly abolished when they were recognised as fully sovereign by everyone (including the powerful neighbour that invaded them), and which are still waiting to have their sovereignty restored, involves the three Baltic republics in 1940. This is one more reason why we should make sure that the effort to reverse Mr Saddam's crime does not [illegible] as [illegible] for the perpetuation of Stalin's.

LETTERS

Does Taurus mean the end of the private shareholder?

From Mr P.A. Sergeant.

Sir, Your illustration of the intended method of the working of Taurus ("A new road, but little relief in sight", December 10) seems to exclude from the Taurus system the possibility of any person buying or selling securities except through a broker. If private persons wish to trade in shares, will they not be able to do so in future except through the Taurus system? Will not this system make even more remote from real life the world of the financiers – already the absentee landlords of the "free enterprise" system? Are we not about to see the end of the private shareholder? The subordination to the financier of the engineer, the manufacturer, the trader, the employees and their trade unions, the designer, the inventor, the researcher weakens the sinews of British industry.

The arrival of Taurus would have presented an opportunity to allow the private investor direct access to the market or to allow a wider range of intermediaries, such as building societies, lawyers, accountants, to break the monopoly of brokers in this sphere.

P.A. Sergeant,
22 Long Road,
Scunthorpe, South Humberside

Nigeria deeply conscious of need for prudence

From the Nigerian High Commissioner.

[illegible] I welcome the editorial endorsement in your highly-respected newspaper ("Democ[illegible] in Nigeria", January [illegible]) that the economic reforms undertaken since 1986 by the Babangida administration are "praiseworthy".

You point to feelings on the part of the Nigerian electorate and foreign creditors that the increased oil revenue accruing from the Gulf crisis may be squandered as in the 1970s. The administration, which has been critical of the use of some of the windfall from the boom years, is itself deeply conscious of the need to harness the resources better this time. One manifestation of its prudence is the steady build-up of a foreign currency reserve which had been run low.

On projects, surely it would be a true waste of resources to abandon, for example, the Ajaokuta steel plant, which you define as a white elephant, after an investment of some $4bn – when, moreover, its completion is within sight?

As to obstacles in the way of foreign investors, there have been a series of changes in response to proposals put forward by both Nigerian and foreign investors, and the administration remains disposed to consider further changes which will satisfy investors and also safeguard national interests.

Might I mention one small fact that would affect understanding of the concluding part of the editorial, which you headed "Political unease". The manifestos of the two political parties were actually synthe[illegible] from the manifestos [illegible] associations which had filed applications for registration as political parties, but all of whom failed to reach the previously prescribed threshold. The task was undertaken by the National Electoral Com[illegible].

That there was a poor turnout at the [illegible] elections last month owes less to the nature of the parties than to the character of the [illegible]. In [illegible] place, local government [illegible] attract far less interest than state-level and national elections. I therefore expect to see a far larger poll in the subsequent [illegible] to a [illegible] elected civilian authorities. Secondly, however, there was also the prac[illegible] matter of voter hesitation over open voting, [illegible] change from [illegible] ballot, brought [illegible] by the deter[illegible] of the [illegible]tion that [illegible] ments which emerge from our elections this time round shall be seen to have been elected free of all suspicion of voting malpractice. In the unlikely event of low polls in the 21 state legislature and gubernatorial elections (1991), and the national and presidential elections (1992), eligible voters who refrain from voting will have to put up with the governments which emerge.

G. Dove-Edwin,
High Commissioner for Nigeria,
[illegible] Northumberland Ave, WC2

We can't always help it, says BR, of long delays

From Mr Peter Field.

Sir, The train journey from Waterloo [illegible] normally takes up to 50 minutes, not two hours as stated by P.A. Drew ("[illegible] losers in the battle at Waterloo", Letters, December 20).

I accept that the standard of our performance on the South [illegible] currently far from satisfactory. However, prolonged delays to trains are often ca[illegible] by circumstances outside our control. The problem experienced by Mr [illegible] on the line to Ascot is a good example. Delays [illegible] approximately 60 [illegible] were [illegible] twice recently – a security alert and an incident involving a man who apparently walked in front of a train.

[illegible] no [illegible] preventing incidents such as these, [illegible] trying with the resources a[illegible] performance generally. There is [illegible]tly an unacceptable [illegible] cancellations caused largely [illegible] severe shortage of [illegible] crews; however, [illegible] will improve considerably with the introduction of driver-only [illegible].

Work [illegible] Waterloo International Terminal has [illegible] the cause of daily chaos and disruption to services, as Mr Drew suggests. It has, however, reduced flexibility for South West train planners and I accept that on occasion this has added to delays.

Peter Field,
[illegible] director South West,
Network SouthEast,
Waterloo Station, SE1

Past, present, future

From Mr Keith Turnstall.

Sir, I cannot agree with Malcolm Rutherford ("History stops short", January 3).

History – life – did not stop in 1918 or 1945. I believe the real use and fascination of history is that it brings us right to the present. History should be taught backwards: the present is the result of the past. An event in 1962 might be as relevant as a treaty in 1714.

One could argue as to whether the purpose of history is to understand the present. But if one takes that view, the subject is not only academic but verging on the vocational. Would that more of our world leaders had a better understanding of history.

Keith Turnstall,
Maple Down, Woodland Way,
Weybridge, Surrey

Over-hasty action on CFCs likely to prove unwise

From Mr S. Forbes Pearson.

Sir, I was disappointed to read in your normally accurate and well-informed paper ("The green spirit lingers on", December 6) that, in Germany, "CFCs will be finally phased out in 1994 but that is nearly 15 years behind the US..."

In 1978 the US government banned the use of CFCs in aerosols. CFCs continue to be used as refrigerants in the US, and probably this use will continue until the year 2000 as envisaged by The Montreal Protocol.

Refrigeration engineers are facing [illegible] of planning an orderly transition from CFC refrigerants to as-yet-unproven replacements, while at the same time maintaining the efficiency of [illegible]ing refrigeration systems and reducing temperatures in [illegible] food distribution chain to comply with [illegible] legislation. It will not be possible to succeed in these objectives if CFCs are prematurely phased out.

It is especially important that [illegible] HCFCs such as [illegible] should continue in use as transitional substances for several decades as laid down in the [illegible] The Montreal Protocol. It is important that politicians, environmentalists [illegible] should realise that attempts to anticipate the carefully thought out provisions of The Montreal Protocol are likely to be counter-productive.

CFCs should be phased out of use as refrigerants but in a planned and orderly way.

S. Forbes Pearson,
chairman, Technical Committee, Institute of Refrigeration,
Kelvin House,
76 Mill Lane,
Carshalton, Surrey

هكرامن الأصل

FINANCIAL TIMES
Tuesday January 8 1991

Roger Lafontant, leader of the failed coup, pictured at a press conference last month

Rebel leader wounded as troops crush attempted coup in Haiti

By Canute James in Kingston

LOYAL HAITIAN troops stormed the presidential palace in the capital Port-au-Prince yesterday and crushed a [illegible] attempt by former interior minister Mr Roger [illegible], less than 12 hours after he said he had [illegible] power.

Mr [illegible], former head of [illegible] feared Tontons Macoutes private militia of [illegible] Duvalier family dictatorship which ruled the country for [illegible], was apparently wounded in the arm in a 30-minute gun battle [illegible] his arrest.

The rebels, comprising Ton[illegible] remnants and Duvalier supporters, seized the presidential palace early yes[illegible] after [illegible] two hours of shooting, taking several hostages, including Mrs Ertha Pascal-Trouillot, the country's interim president.

[illegible] reports said [illegible] people had been killed in a wave of violence stemming [illegible] attempted coup, including at least seven [illegible]pected Duvalier agents [illegible] were said to have been lynched by protesters.

A further 26 [illegible] the headquarters [illegible] the Union [illegible] National Reconciliation, the Duvalierist party [illegible] by Mr La[illegible].

Mrs Pascal-Trouillot, forced during her captivity to make a broadcast relinquishing power, was later restored as president.

Officials [illegible] coup attempt would not disrupt plans [illegible] to hand over power on February 7 to Father Jean-Bertrand [illegible], the left-wing priest who won presidential elections last month.

Mr Lafontant was a close associate of former [illegible] Jean-Claude "Baby Doc" Duvalier, who fled [illegible] in 1986, and of his father, the late François "Papa Doc" Duvalier. [illegible] claimed in a radio broadcast after his attempt to seize power that [illegible] month's elections were fraudulent, and that Father [illegible] had obtained only a minority of the [illegible].

[illegible] last week that [illegible] had received two thirds of [illegible] votes, while hundreds of foreign [illegible] had concluded that the voting, although marred by organisational problems, was free and fair.

The army [illegible] the attempted coup and indicated [illegible] the former minister did not have army support.

Death knell for Haiti's far right, Page 4

Soviet troops ordered to Baltic to enforce draft

By Quentin Peel in [illegible]

THOUSANDS OF Soviet paratroops [illegible] deployed [illegible] the dissident Baltic republics, as well as in nationalist troublespots in the Ukraine, Moldavia and Transcaucasia, to [illegible] conscription in the [illegible] a [illegible] draft-dodging campaign, [illegible] Ministry announced last night.

The move [illegible] greeted with consternation in the Baltic republics, where officials warned that it would greatly aggravate tensions [illegible] civilians and the Soviet military units [illegible].

It comes only days after General Mikhail Moiseyev, the chief of the Soviet general staff, gave a categorical assurance to Tass, the official Soviet news agency, that no more troops would be sent to the rebellious republics of Estonia, Latvia and Lithuania.

The action coincided with an ultimatum from President Mikhail Gorbachev to the Georgian republic, ordering all armed [illegible] except Soviet Interior Ministry [illegible] to leave [illegible] region of [illegible] after [illegible] left [illegible] least [illegible] dead and several wounded.

The [illegible] Baltic republics and Georgia are now controlled by nationalist-dominated parliaments, and are committed [illegible] see[illegible] outright independence from the Soviet Union.

Conscription for the [illegible] army [illegible] slumped in all [illegible] areas, as well as in the western Ukraine and Armenia, where nationalist forces are [illegible]dominant.

The Ministry said only [illegible] per cent of conscripts had signed on in [illegible], 12.5 per cent in Lithuania, [illegible] per cent in Estonia and 28.1 per cent in Armenia.

"[illegible] situation [illegible] be tolerated", the Defence Ministry statement said, and it confirmed [illegible] "contingents" [illegible] paratroops would be involved.

The move was immediately condemned by nationalist poli[illegible] step towards military control [illegible] the rebellious republics.

Mr Dainis Ivans, [illegible] leader of [illegible] Latvian Popular Front and [illegible] vice-president [illegible] republican parliament, said it [illegible] deliberately tim[illegible] to coincide with the rising ten[illegible] in the Gulf.

"I think they want to pre[illegible] for January 15, and [illegible] January 15 to introduce in the [illegible] Soviet Union a military regime," he said. "All the world will be looking at the Gulf and not l[illegible]ing [illegible] the Soviet Union."

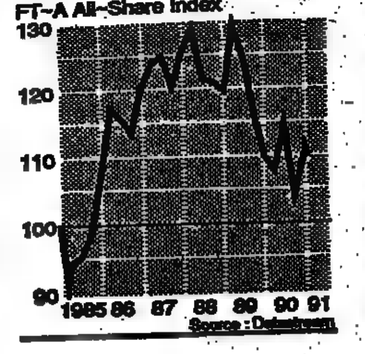
In Georgia, the situation in [illegible] Ossetia is already looking very ugly, and reports yesterday said that at [illegible], if not [illegible] people [illegible] clashes [illegible] minority Ossetian group, and Georgian militants and republican militia.

Mr Gorbachev's decree orders [illegible] republican militia out of the region, and says [illegible] within three days it must handed over to Soviet Interior Ministry troops. A 12-hour curfew from 7 p.m. is already in force, [illegible] the [illegible] report[illegible]edly suffering a complete [illegible]nomic embargo from the [illegible] of Georgia.

Reuter adds from Washing[illegible]: Mr Jack Matlock, US ambassador in Moscow, met [illegible] Eduard Shevardnadze, the [illegible] Foreign Minister, yesterday and expressed concern about Kremlin plans to despatch [illegible] the Baltic republics, the State Department said.

Estonia starts search for joint-venture models, Page [illegible]

The trials of life at the TSB



Building Materials
FT-A Index relative to the FT-A All-Share Index
Source: Datastream

First Latin American debt, then securities trading and property lending, now at last life assurance. It was only a matter of time before Britain's banks, with their unerring talent for losing money, discovered a way of doing so in the insurance industry. Even so, the scale of TSB's £200m-plus write-off at Target Life is rather breathtaking. It is always theoretically possible to make a loss in the life and pensions business, if too many customers die at the wrong time or surrender their policies, if expenses veer out of control or if investment returns deteriorate badly. But in practice it is far from easy not to make a profit: or, at any rate, it has been for the last decade or so.

There are three disturbing aspects of the Target episode. The first is the sheer scale of the strategic mismanagement which prompted [illegible] to spend £227m on Target in 1986 and nearly £800m on Hill Samuel a year later. That, however, is history. Heads have rolled, and much of the blame lies anyway with the Treasury for floating TSB nearly five years [illegible] in grossly overcapitalised form. The second is that while Equity & Law gets Target and its sales networ[illegible] as [illegible] going [illegible]ern, TSB apparently remains at risk for any further write-offs [illegible] commercial and residential loans.

The third worrying feature [illegible] the speed with which Target's business and its value went into a tailspin and what this says about the current state of the [illegible] assurance business. A lot [illegible] Target's problems, such as [illegible] very high proportion of lapsed policies and some dodgy intermediaries, may have been specific to the company. But it may also be that much of the [illegible] written [illegible] UK life companies in the boom years of the late 1980s was of low quality. If so, the notion that life assurance companies have an inherent or so-called embedded value needs some revision. Embedded values can evidently go down as well as up.

UK economy

The November figures for [illegible] are [illegible] salutary [illegible] of how remarkably robust the UK consumer has proved until very recently. The fact that total consumer credit was five per cent up on last year might be taken as evidence of distress borrowing. More likely, given the extent to which consumers no longer use cash in their transactions, the rise is simply attributable to the increase in real incomes.

All the same, it is becoming increasingly clear that the last few months have dented the confidence of consumers as well as businesses. Yesterday's final retail sales figures for November – revised downwards – confirm that for the first time in the cycle, retail volume [illegible] month period [illegible] fallen marginally below that of [illegible] previous year. Since around the middle of 1989, year-on-year growth had been approximately flat. It is only in the latest couple of month[illegible] that the trend has actually been downwards.

In the current year, the falling inflation rate may mean that real average incomes will rise faster than last year. But in aggregate, this will be offset by the rise in unemployment. Taken together with the rise in the savings ratio, this [illegible] that consumer spending may be static or even falling. In the last couple of [illegible] retailing and the consumer service industries generally have suffered the consequences of undue optimism on how fast consumer spending would rise. [illegible]ey will fare if [illegible] actually falls scarcely bears thinking about.

Building materials

Blue Circle's plan to put up its UK cement list prices this spring by nearly 7 per cent suggests some wider thoughts about the difficulty of choosing shares to buy in 1991. Sceptics are bound to argue that despite Blue Circle's 54 per cent market share of UK produced cement the price increase will not stick, and that its competitors Rugby and Castle will force it to discount heavily. But then price wars are bound to happen in a recession. Despite that, the cement companies have some great underlying strengths.

One is the very high barrier to entry represented by the £200m-odd it could cost to build a new kiln on a greenfield site and the difficulty of getting planning consent in picturesque limestone countryside. Another is the strong cash flow of the existing players, even in a downturn. Blue Circle's depreciation charge just about covers its own annual £25m capital spend on UK cement. Hence, with Blue Circle's shares on a historic dividend yield of 7 per cent, they must hold some good fundamental value for the investor at their current level.

The trouble with this line of thinking is the lack of clear visibility of earnings growth this year and next. In Blue Circle's case, given the UK's hangover of commercial property development, it could be 1993 before cement demand picks up strongly. As in the wider economy, the timing of the upturn is still very hard to call.

Racal

The abrupt demise of Racal's grand plan [illegible] a UK government-wide telephone network comes at a tricky time for the proposed buyout of Racal Electronics. The value of the project was never made explicit, nor indeed was it ever made clear whether it was to [illegible] part of Sir Ernest [illegible] new empire or be transferred to Racal Telecom. Either way, it [illegible] as the next [illegible] growth [illegible] after mobile phones. [illegible] rump of the business will have [illegible] less attractive long-term future without it. But in the short term the buyout sums will doubtless be improved by removing the development costs of the project, which may explain the surprisingly modest [illegible] drop in the Racal [illegible] share price to 169p yesterday. Whether this more sanguine view lasts until the buyout plans are made public may be another matter.

Yesterday's announcement also has a wider bearing on the forthcoming government review of the UK telecoms duopoly. The foundering of the project was partly a matter of cash. But the government may also have wanted to leave itself and its individual departments free to exploit a greatly liberalised regime without going to the expense of a custom-built system. The more hints that emerge about the likely shape of the review the worse it sounds for British Telecom.

Bank think-tank calls for innovation in trade finance

By Stephen Fidler, [illegible] Correspondent, in London

[illegible] are increasingly shying away from providing [illegible] finance to developing countries and significant efforts are required to [illegible] this development.

This opinion comes in a report published today by the Institute [illegible] International Finance, a Washington-based [illegible] body funded by [illegible] national banks.

"Governments working together with their exporters and bankers will have to make major efforts to eliminate the disincentives to bank participation in medium and long-term trade finance," the report says.

The report covers trade and investment finance to middle-income countries – those with [illegible] national income per head of between $581 and $6,000.

It says banks are unhappy about new trade lending to those which have rescheduled debt or embarked [illegible] a debt reduction programme.

New loans to these countries often require that immediate provisions are set aside by banks, while there is a large risk that they may be rescheduled.

Even for countries that have not rescheduled, heightened pressure on bank capital [illegible] it is difficult for banks to increase trade lending.

The report speaks of two big incentives that would encour[illegible] banks to [illegible] and investment finance: a return [illegible] creditworthiness by middle-income countries and greater help from the official [illegible] – the international financial institutions and export [illegible].

Problems have [illegible] because export credit agencies provide funds for only 85 per cent [illegible] the transaction and much of the rest is sought from [illegible] banks, the report says.

[illegible] trade transactions have been aborted because buyers and sellers [illegible] been [illegible] find [illegible] commercial bank lender. Thus, greater flexibility on down-payment requirements is needed.

Special [illegible] should be made [illegible] countries which [illegible] restructured their debts but are now nearing the point of creditworthiness.

"With the actual and prospective losses faced by export credit agencies, it appears unreasonable that major new funding commitments could be expected, but flexibility and innovation should be emphasised."

However, because creditworthiness will take time to achieve and big increases in official help are unlikely, other measures need to be considered, the report adds.

It urges export credit agencies to explore ways to supplement and encourage private-sector insurance capacity, rather than see private insurers as competition.

It suggests an earmarking [illegible] official resources for reinsurance and co-insurance to support private insurers.

In [illegible] of the limited availability [illegible] private [illegible] maturities beyond three [illegible], export agencies could, for example, provide cover for [illegible]lying [illegible].

The report concedes that pri[illegible] insurance is [illegible] regarded by banks [illegible] completely off-setting country risk.

It also [illegible] expanded [illegible] cofinancing operations [illegible] the World Bank.

[illegible] further suggestion is for export credit agencies to swap risk among themselves, or to use a reinsurance facility. This would address the problem of agencies coming up against their own credit limits for certain [illegible].

The report [illegible] pricing [illegible] many trade transactions does not provide banks with adequate returns. [illegible] suggests that the [illegible] bank regula[illegible] and [illegible] authorities could all [illegible] steps [illegible] returns. For example, agencies could effect changes [illegible] make [illegible] easier to turn the debt into securities or to reduce banks' administrative costs.

Expanding Bank Participation in Export and Investment Finance with Middle-Income Countries. Institute for International Finance, 2000 Pennsylvania Avenue NW, Suite 8500, Washington DC. Tel: 202 857 [illegible]

BIS report, Page 3

Softening of heart towards the hard Ecu

Peter Marsh discusses British proposals for a new European common currency

BRITAIN'S proposal [illegible] hard Ecu currency, greeted with a chorus of [illegible] when it was first proposed [illegible] summer, may [illegible] taking on [illegible] new [illegible] life.

Today the UK Treasury is publishing details [illegible] how the hard [illegible] – [illegible] concept [illegible] new [illegible] currency for Europe that would be used in conjunction with existing currencies – c[illegible] be [illegible] and managed by [illegible] new pan-European monetary institution.

Britain says the hard Ecu could be introduced after 1994. It could reduce business costs across Europe and also fight inflation.

The scheme is a central part of Britain's [illegible] on European economic and monetary union (Emu). Even though the idea has to jump a number of important political and technical hurdles before it is accepted, it has been regarded more warmly in the rest of Europe since Mr John Major became prime minister.

In keeping with Mr Major's softer tone on European integration compared with Mrs Margaret Thatcher, UK officials have indicated that they are prepared to accommodate the views of other European nations in refining their proposals for the currency.

In particular, they are prepared to drop the UK's insistence that a new European Monetary Federation would have to be established [illegible] administer the hard Ecu.

Instead, this job could be done by the European System of Central Banks (ESCB) – a new intra-European "super-bank" plus existing national central banks – which many of Britain's 11 European Community partners want set up in 1994 as part of the Emu timetable.

The Treasury document being published today will be presented to senior European officials, meeting in Brussels next week under the auspices of the intergovernmental conference on Emu.

This conference will, during the rest of the year, consider the details of the schedule to the final stage of Emu, which could be reached around the end of the century.

The UK document will indicate how the new body for managing the hard Ecu could fit in with existing European institutions. It will also spell out how the new organisation could be protected from undue political interference from member governments.

Although the text will refer to the new body as the EMF, British officials say the ideas in the document could apply just as well to the ESCB.

According to the plans of the European Commission, the ESCB is due around the year 2000 to be responsible for pan-European monetary policy. It would also administer a new, single currency: by this time, existing financial units would have faded away.

Under the British scheme, asking the ESCB to supervise the hard Ecu would provide both it, and the rest of Europe, with valuable experience in organising monetary matters across Europe before the final stage of Emu. Eventually, the hard Ecu could evolve into a single currency.

In recent weeks, Germany has remained dismissive of the hard Ecu, arguing that is unnecessary. But France and Spain have made positive comments about the proposal, while Italy has indicated some support.

ACCORDING to UK plans, hard Ecus would [illegible] issued by a new authority, either the EMF or the ESCB, in exchange for set amounts of existing currencies from central banks. The new financial unit would be a member of the European Monetary System's exchange rate grid. It would be allowed to float against the other currencies within a 2.25 per cent band, set in relation to the D-Mark.

The hard Ecu would probably start out in this system with the same value as the existing basket Ecu, a notional financial unit set up 12 years ago mainly as a unit for government and corporate bond issues and for intergovernment transfers. Ultimately, the hard Ecu would find its own level, but with the proviso that it could never be devalued against any other currency in the system.

That would, under the Treasury's plans, give the currency inflation-proof qualities which would make it attractive to European companies, either as a borrowing instrument or in effecting cross-border transactions.

Eventually, the hard Ecu could displace the basket Ecu altogether. Treasury officials believe many existing basket Ecu bond contracts could be converted into hard Ecus.

A second aspect to the hard Ecu would be its role in fighting inflation more directly. That would happen if specific European nations were judged to be running loose monetary policies, leading to inflation and a devaluation of their own currencies.

In such a circumstance, the country concerned would be forced to sell some of its stock of hard Ecus to the European authority issuing this currency. The nation would take in return some [illegible] its own, devalued money.

THAT would effectively "fine" countries causing inflation and, so the UK hopes, help [illegible] brake rising prices [illegible] Europe.

Despite the scheme's prog[illegible] in [illegible] in the rest of Europe, several commentators are unsure that the ideas behind the hard Ecu can be made to work. One of the fiercest critics is Mr Tim Congdon, chief economist at Gerrard and National, a London-based discount house.

He says the hard Ecu notion is "farcical" as the currency would never have any real use in the absence of agreements on using it as legal tender – a state of affairs which, under the most optimistic proposals for Emu, is years away.

The next few months will illustrate whether Mr Congdon's view prevails or whether the hard Ecu concept, labelled as dead a few weeks ago, can make a Lazarus-like recovery.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	14	57
Algiers	S	18	64
Amsterdam	S	8	46
Athens	S	16	61
Bahrain	S	19	66
Bangkok	C	33	91
Berlin	S	6	43
Biarritz	R	11	52
Bombay	S	27	81
Bordeaux	F	13	55
Boulogne	F	9	48
Brussels	F	8	46
Caracas	C	27	81
Casablanca	S	16	61
Chicago	C	-9	16
Cologne	C	8	46
Copenhagen	S	4	39
Corfu	S	14	57
Faro	C	17	63
Florence	F	15	59
Frankfurt	C	8	46
Geneva	C	9	48
Gibraltar	F	15	59
Glasgow	Sl	1	34
Islamabad	C	14	57
Istanbul	F	11	52
Jakarta	R	31	88
Jersey	S	9	48
Johannesburg	C	25	77
Lima	C	23	73
Madeira	S	17	63
Madrid	C	9	48
Majorca	F	15	59
Malaga	F	16	61
Malta	F	17	63
Manchester	F	5	41
Milan	Dr	1	34
Montreal	S	-16	3
Moscow	Sn	0	32
Munich	R	6	43
Nairobi	F	25	77
Naples	F	14	57
Nicosia	S	18	64
Oporto	F	13	55
Oslo	F	0	32
Paris	F	10	50
Peking	S	-1	30
Prague	R	[illegible]	41
Salzburg	R	6	43
San Francisco	C	9	48
Seoul	F	-1	30
Singapore	F	31	88
Stockholm	C	1	34
Strasbourg	F	10	50
Tenerife	S	20	68
Tokyo	S	9	48
Toronto	S	-11	12
Tunis	S	14	57
Valencia	F	15	59
Venice	Dr	5	41
[illegible]	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

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INSIDE

Snecma invests [illegible] GE jet engine project

Snecma, France's [illegible] controlled aero-engine maker, [illegible] its longstanding relationship with General Electric of the [illegible] in the field of commercial jet engines. The French company is to take a 20 per cent share in GE's latest heavy thrust engine, the CF6-80E1, which will power [illegible] [illegible] Airbus [illegible] widebody [illegible] engine aircraft. GE said yesterday Snecma would be responsible for all final [illegible] of [illegible] new engine. Paul [illegible] reports. Page 18

Carclo advances 9%

Carclo Engineering Group, the diversified engineering group, [illegible] a 9 per [illegible] gain in interim pre-tax profits from £3.96m to £4.31m helped by a turnround in [illegible] net [illegible] position. However, operating profits fell from £4.79m to £4m and the company said trading conditions had deteriorated since the end of the half-year period. Carclo [illegible] its interim dividend to 1.71p [illegible] 1.55p. Page 25

Earnings fall at Ferri

Ferri, [illegible] French stockbroking firm, yesterday became the latest on the Paris Bourse to report an earnings decline [illegible] a reduction in [illegible] Ferri, group chairman, [illegible] operating profits fell from FFr35m in [illegible] FFr5m and FFr10m [illegible]. The [illegible] have the largest workforce of [illegible] stockbroking firm, has reduced its workforce from 240 in June to 212, all through natural wastage. Page 18

Optical oddity

Leica, the optical instruments [illegible] which came to the Unlisted Securities Market last [illegible], remains something [illegible] an anomaly in [illegible] UK [illegible]. Following [illegible] merger [illegible] the acquisitive high-tech group Cambridge Instruments, Leica now has sales of over £500m and a market capitalisation of £110m. Yet, 81 per cent of the company's shares are owned by one man — Stephan Schmidheiny (above), a [illegible] who controls, with his brother, strategic stakes in [illegible] Brown Boveri and Swiss watch group SMH. Richard Gourlay charts Leica's transformation. Page 24

Japanese ad men go public

When Asatsu, one of the leading Japanese advertising [illegible], [illegible] its intention to go public three years ago, the other agencies in Tokyo [illegible] Osaka were astonished. Impressed by Asatsu's resounding success, others are now eager to follow suit; attracted as much by the lure of enhanced public prestige [illegible] additional [illegible] it would pro[illegible] for overseas expansion. But some Tokyo stock exchange regulations — particularly those governing the relationship between parent companies and subsidiaries — [illegible] become notoriously strict since the Recruit scandal. Alice Rawsthorn reports. Page 20

US drive into European waste

Waste Management, the leading US waste handling group, has stepped up its drive into Europe, a market which chairman Dean Buntrock says is up to a decade behind America in terms of [illegible] disposal [illegible]ness. Due largely to management deftness [illegible] further environmental regulation, [illegible] income [illegible] expanded [illegible] extremely [illegible] compound rate of 28 per cent over the past five years. Barbara Durr reports. Page 20

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				[illegible]			
Rheinmetall	384	+	9	Pollet	418	+	12
Falls				[illegible]			
BMW (Br)	368	–	16	Alcatel Als	535	–	14
Daimler-Benz	531.5	–	17.5	Elf-Aquitaine	265.9	–	13.4
Fag Kugelfisch	221	–	14	Midi (Cie)	[illegible]	–	28
Hapag Lloyd	340	–	10	Peugeot SA	[illegible]	–	20.9
Linotype	730	–	20	Schneider	640	–	21
NEW YORK ($)				**TOKYO (Yen)**			
Rises				[illegible]			
Sun Microsystm	22½	+	⅝	Sanyo Chemical	[illegible]	+	70
Falls				Shin Nikkei	2520	+	170
Citicorp	13	–	⅞	Snow Brand Fd	[illegible]	+	55
Eagle-Picher	1¼	–	1½	[illegible]			
Philip Morris	48⅝	–	¾	Daito Wool	1150	–	[illegible]
Sallie Mae	45⅝	–	2½	Matsuzakaya	4100	–	500
UAL	108¾	–	2	Sanrio	3050	–	450
LONDON (Pence)							
Rises				GKN	[illegible]	–	7
Bioscinds	44	+	3	Lloyds Bank	290	–	8
Davies Newman	165	+	30	Logica	[illegible]	–	6
Dixons	139	+	5	Norton	[illegible]	–	6
First Tech	[illegible]	+	5	P & O Dfd	503	–	19
SelecTV	12½	+	1½	Proteus Intl	[illegible]	–	7
Tellos	110	+	10	Rank Org	589	–	18
WPP	80	+	10	Thames TV	342	–	9
Falls				Wellcome	[illegible]	–	15
Allied-Lyons	477	–	13				
Frogmore Ests	289	–	13				

S&P cuts record number of credit ratings

By Nikki Tait in New [illegible]

THE GRIM financial condition [illegible] America's corporate [illegible] demonstrated graphically yesterday when Standard & Poor's, one of the largest US ratings [illegible]cies, revealed that it had downgraded long-term corporate [illegible] ratings in 768 instances last year, a record figure.

This was double the number of downgradings made in [illegible] dard & Poors also reported that there were just 189 upgrades last year.

S&P analysts warn[illegible] they expected downgrades to exceed upgrades again in the current year as the effects of the 1980s borrowing spree continue [illegible] be felt. But they [illegible] that the downgradings would centre on issues which are already tagged as speculative.

"Investment grade credits should hold up relatively well," said Mr Leo O'Neill, chief ratings officer.

Nevertheless, S&P still predicts that there could be defaults [illegible] $15bn-$20bn of corporate [illegible] issued by US industrial compa[illegible] in 1991. Last year, corporate [illegible] defaults reached $14bn. That compares with an average annual figure of about $3bn in the previous four years, and about $1bn of defaults a [illegible] in the first half of the decade.

[illegible] year's increase in [illegible] most marked for financial institutions, where the level more than doubled from 149 to 411. [illegible] contrast, upgradings fell from 70 to 44.

This partly reflected problems in the commercial banking sector – in particular, its exposure to property and highly-leveraged transaction loans. S&P noted that in the early-Eighties there were 15 US banks with triple-A ratings; today, J.P. Morgan is the only one.

S&P added, however, that it did not expect [illegible] Bank of New England situation to [illegible] rent rating levels since problems there were already well-known.

Within the financial sector, S&P [illegible] cited the potential impact of asset problems on US life insurers. It said that most [illegible] 1990s downgrading in the insurance industry involved life [illegible]panies. In addition, the agency forecast that continued pressure on premiums might threaten the stan[illegible] of some [illegible] property [illegible] casualty insurers. However, it stressed that these were still expected "to retain solid investment grade ratings".

On the industrial front, S&P noted that sectors most at risk during the current year included retailing, [illegible] casinos. There [illegible] 299 downgrades for industrial companies in 1990, compared with 159 in the [illegible]ous [illegible]

Municipal credit quality also fell sharply, with [illegible] ratings lowered on $48.2bn of debt, and only 131 ratings raised on $15.6bn of debt.

S&P added that the uncertain situation in the Gulf could [illegible] an additional risk for the credit picture this year.

"An outbreak of armed conflict would be likely to ... deepen the recession," said Mr O'Neill.

"As [illegible] result, creditworthiness could deteriorate beyond Stan[illegible] &Poor's [illegible]tions," he added.

Lifeboat rushes in to New England storm

Peter Riddell and **Alan Friedman** report on the bailing out of the Bank of New England by Federal authorities

The Sunday night rescue by federal regulators [illegible] the [illegible] England – [illegible] big regional [illegible] that became insolvent when [illegible] property loan losses wiped out [illegible] – [illegible] more than just one of the biggest bank failures in US history. The collapse is further [illegible] of a [illegible] caused by [illegible] property crisis, spreading recession and weake[illegible] banking [illegible]tem. It also [illegible] the regional slump in the economy of New England.

[illegible] depressed [illegible] of US banking [illegible] already [illegible] York banks such as Citi[illegible] Manhattan and [illegible] [illegible]hing dividends, laying off thousands [illegible] workers and piling up billions of dollars of non-performing loans. [illegible] likely [illegible] bank [illegible] will occur within the next year [illegible] force rationalisation.

The Bank [illegible] New England (BNE), with $22bn of assets and operating banks in Massachusetts, Connecticut and Maine, has been taken over by a government [illegible] Deposit Insurance Corporation (FDIC), which [illegible] strapped for cash as it faces $9bn of bail-out related losses in the 1990-91 period.

Rescuing BNE [illegible] a cash injection of $750m, part of a total government price tag [illegible] least $2.3bn, and ranks close to the costs of the 1984 rescue of Continental Illinois and the 1988 bail-out of First [illegible] Bank [illegible] Texas.

The Federal authorities acted to protect depositors and the stability of [illegible] banking [illegible], while helping the economy of the region.

BNE's bail-out, among the larg[illegible] ever bank rescues, has implications both for further efforts likely to be needed to assist troubled banks and for the review of the deposit insurance system due [illegible] unveiled by [illegible] Bush administration later this month.

The most controversial aspect [illegible] rescue is that all deposits, not just [illegible] up [illegible] ceiling of $100,000, [illegible] being [illegible] Mr William Seidman, FDIC chairman, said this was necessary because of financial conditions in the region. This is in contrast with its decision a couple of months ago to protect only [illegible] dollar [illegible] all accounts larger than $100,000 in [illegible] Freedom National Bank of [illegible] York in Harlem.

But in the New England [illegible] Mr Seidman said, "any abrupt action at this time in this area [illegible] be unwise". The fear was that if large depositors [illegible] not [illegible] fully protected, or there had been uncertainty, then money [illegible] have been withdrawn on a large scale from other troubled banks in the region.

However, [illegible] decision [illegible] pro[illegible] all depositors reflects [illegible] dilemma [illegible] regulators and Congress [illegible] considering reform of deposit insurance. While there has been much talk of limiting [illegible] number of [illegible] of $100,000 or less which are protected, in reality the circumstances of a rescue often forces [illegible] blanket guarantee to be offered [illegible] ensure continued confidence in the system. The idea that some banks are "too big to fail" may be disavowed in theory but it is followed in practice.

The announcement by the Bank of New England that it expected fourth-quarter losses of up to $450m triggered "[illegible]tial [illegible] outflows" – of about $1bn – on Friday and Saturday. The bank has been teetering on the brink of disaster for a full [illegible] it [illegible] $1.2bn of fourth-quarter 1989 losses and faced its first run on deposits.

The well-publicised, though unrelated problems of the Rhode Island banks and credit [illegible] produced fears of wider panic. Federal regulators had to act quickly.

There was a series of meetings over the weekend, involving the FDIC, the Comptroller of the Cur[illegible] the Treasury and the Fed[illegible] Reserve.

William Seidman (left), head of a strapped FDIC, and Lawrence Fish of Bank of New England

The need for speed, and to offer a [illegible] of reassurance, also affected the method of rescue.

One option might have been just to take over the bank, as happened with Continental Illin[illegible] in 1984. [illegible] approach offered by the holding company's bondholders would have involved swapping their debt into equity.

Instead, the regulators chose a method designed [illegible] protect depositors and keep the banks as potentially saleable institutions. Three bridge banks have been set up to take over from the previous banks and these were yesterday offering full banking services uninterrupted. This follow[illegible] the $750m capital [illegible] and assurances that the Federal Reserve system will, through its discount window, lend [illegible] money needed to meet liquidity [illegible]. But equity [illegible] bond ho[illegible] in [illegible] overall holding company are [illegible] being protected.

Until a [illegible] ago, BNE was an ambitious and expansive "super-regional" bank that piled into the 1980s property boom with something like wild abandon. In part, it was [illegible] victim of poor management. Under the leadership of Mr [illegible] Connolly, the [illegible] who was sacked 12 months ago, BNE made [illegible] fundamental mistake by allowing nearly 37 per cent of its total loan book to be concentrated in commercial property.

A third [illegible] BNE's [illegible] of property loan portfolio is now in default and the bank may eventually have to declare up to $6bn of its $22bn [illegible] assets worthless, according to Mr Seidman.

Federal regulators forced the bank to sign [illegible] consent order last year to sell $6bn of assets and to co-ordinate all decisions with Washington under the new leadership [illegible] Mr [illegible], an [illegible] man who [illegible] the mess [illegible] he [illegible] chairman [illegible] March.

Mr Fish said yesterday that BNE "was [illegible] classic lesson in the [illegible] diversify risk". The bank, [illegible] said, "lent too much, [illegible] aggressively, too quickly, [illegible] number of years".

Last Thursday the [illegible] precarious position became unsustainable when [illegible] capital base was wiped out by the projected [illegible] fourth-quarter loss. Mr Fish went to Washington, cap in hand.

Mr Robert Clarke, [illegible] Comp[illegible] Currency, [illegible] the bankers told him they could no longer "push this rock up the hill".

Wall Street has long followed [illegible] and [illegible] accordingly. [illegible] price has disintegrated – it stood [illegible] in late [illegible] and [illegible] suspended yesterday [illegible] 50 [illegible]. The bank's bondholders, who [illegible]pted a last-ditch debt-for-equity rescue [illegible] Washington declared insolvency on Sunday, meanwhile watched BNE paper trade at about two cents on the dollar yesterday morning.

Mr Seidman hopes the banks can be sold before long and he has talked [illegible] having [illegible] active [illegible] bidd[illegible], with [illegible] transaction expected to be announced soon.

However, the FDIC will have to take over $5bn to $6bn of non-performing assets, out of [illegible] total of $22bn, to make any sale attrac[illegible]. This will involve estimated losses [illegible] the [illegible] fund of around [illegible] but [illegible] its [illegible] procedures [illegible] anticipating losses, such an amount had been assumed in its projected losses of $4bn for 1990. The loss further reinforces Mr Seidman's call for [illegible] early [illegible] of the fund by the banks.

Murdoch bond yields surge amid concern on debt talks

By Simon London

INTERNATIONAL bonds issued by News Corporation are now yielding up [illegible] 47 [illegible] cent, [illegible] investors display growing concern [illegible] prolonged debt restructuring negotiations taking place between Mr Rupert Murdoch's media empire and [illegible] bankers.

[illegible] Corporation has borrowed heavily on capital markets and such high yields raise doubts about [illegible] group's ability [illegible] tap the [illegible] efficient interest rates in the future.

If the proposed $7bn three-year bank restructuring package is agreed, bankers have suggested that News Corporation may have to issue additional debt securities to refinance some of the bank debt at the end of this period.

Murdoch: talks drag on

The group currently has approximately $800m of bonds in issue, denominated in sterling, D-Marks and Swiss francs. The bonds were issued through a network of seven subsidiary companies such as News Cayman Finance, Newscorp Netherlands Antilles and [illegible] Publishers Finance.

In [illegible] straight Eurobonds, News Corporation [illegible] issued almost $1bn of preference shares which are exchangeable into the [illegible] Pearson, [illegible] of the Financial Times. Mr Murdoch acquired stakes in both Reuters and Pearson in the equity markets.

Analysts estimate that between [illegible] third and [illegible] half of these bonds have now been converted into shares, leaving perhaps [illegible] outstanding.

Traders in Europe [illegible] Corporation bond yields [illegible] been rising steadily during [illegible] past month [illegible] the [illegible] restructuring talks had dragged [illegible]. For example, Newscorp Netherlands Antilles' SFr150m bond issue [illegible]turing in 1994 [illegible] trading [illegible] per cent of face [illegible] yesterday, against [illegible] cent early [illegible] week. This pro[illegible] yield [illegible]

Representatives [illegible] Cor[illegible] were in [illegible] shortly [illegible] Christmas making presen[illegible]nity, although it [illegible] not [illegible] whether existing bond [illegible]

Dealers in London reported very little trade in [illegible] Corporation paper [illegible] past month.

TSB sells insurer to Axa-Midi

By David Barchard in London

TSB GROUP, the UK's sixth largest bank, is to sell Target Group, its ailing insurance subsidiary, to Equity & Law, the life assurance company owned by the French group Axa-Midi.

However, the terms of the deal mean that TSB, which acquired Target for £227m ($431m) in August 1987, will incur a substantial loss which will be shown as an extraordinary item in its 1990 results due on Thursday.

Not only will payment by Equity & Law for TSB's stake in equity will be deferred, but TSB is to make provisions against losses made by Target since the end of October 1989. Mr Don McCrickard, TSB chief executive, said yesterday that these were [illegible] exceed the sale price, though he [illegible] disclose any of the figures involved.

TSB's possible [illegible] on the deal will not end there. It has also undertaken responsibility for some losses made by Target after its sale to Equity & Law is completed at the end of March.

TSB's [illegible] in Target [illegible] worth £55m in October 1989 but since then it [illegible] dwindled rapidly. In the first half of last year, it made [illegible] loss of [illegible]

Target's poor performance is attributed by stockbrokers' analysts in London to an unusually high rate [illegible] policy lapses. They said these [illegible] balance [illegible] with severity [illegible] two years [illegible] using the embedded value method [illegible] calculating its profits.

The [illegible] will bring Equity & Law a [illegible] of 180, along with 500 appointed representatives. At present [illegible] company has [illegible] sales [illegible] own and operates only through [illegible] agencies.

Mr Duncan Kerr, Equity [illegible] Law chief actuary, said yesterday that the purchase would increase the company's representative salesforce by [illegible] 50 per cent and [illegible] up new business opportunities through a specialist broker salesforce.

مصورة من الأصل

Eagle-Picher forced to seek creditor protection

By Karen Zagor in New York

EAGLE-PICHER Industries, a US manufacturer whose products once included asbestos, yesterday filed [illegible] protection from creditors under Chapter 11 of the Federal Bankruptcy Code in an effort to resolve the company's asbestos liability.

The company had hoped to escape the bankruptcy courts, having [illegible]ntatively agreed in November to settle litigation with asbestos victims by paying $750m over 20 years. It is facing about 65,000 outstanding injury claims so far.

Mr Thomas Petry, chairman of the Ohio-based company, said: "The liquidity [illegible] which precipitated the filing resulted from the need to satisfy the company's immediate [illegible] litigation liability *through the sale of operating* assets, and [illegible] triggered by the failure of the buyers for the Eagle-Picher Mat division [illegible] fulfil a purchase contract."

Federal judge Jack Weinstein approved the consolidation of all present and future asbestos injury claims against Eagle-Picher into a nationwide, mandatory class action.

In the case of Manville, the US industrial group forced into Chapter 11 in the early 1980s by claims from asbestos victims, a trust established to assume legal liabilities for health claims against the company experienced a severe shortfall of funds. Unless a proposed package for the settlement of a class action suit is approved by the courts, victims may be forced to wait as long as 20 years before receiving compensation.

Judge Weinstein's Eagle-Picher decision was aimed [illegible] addressing some of the problems which have plagued US asbestos litigation. [illegible] hoped to reduce the time victims must wait to be paid, relieve courts from hearing individual cases, and cut the exorbitant legal and professional fees. But attorneys for the plaintiffs appealed against Judge Weinstein's decision, threatening to have him removed from the [illegible]

Attorneys for the victims tried to force the company into involuntary bankruptcy in mid-December. It responded by filing a civil Racketeer Influence and Corrupt Organisations (Rico) suit against three prominent attorneys, alleging "malicious prosecution".

In spite of the bankruptcy protection procedures, the company still intends to operate as usual. Eagle-Picher expects to turn in operating income of about $48m for the year ended November 30. In 1989, it had sales of $729.9m.

Its shares are still trading in New York, where they plunged $1 yesterday to $1¼. At midday, the [illegible] York Stock Exchange [illegible] it might de-list the company's issues.

Racal fails to agree on price to supply GTS

By Richard Gourlay in London

RACAL Electronics, the UK electronics group, has failed to agree on a price to supply Whitehall departments with a government telephone system (GTS) that would have earned the company revenues of £1.5bn ($2.85bn) over 10 [illegible]

Racal said the two sides had *failed to agree on several com*mercial matters, one of which was price, while the government said Racal had been unable to offer the kind of service required in terms [illegible] for money. Existing government data network (GDN) [illegible]tracts with Racal would be unaffected by the collapse of the talks.

The loss of the contract further muddies the [illegible] as Racal moves [illegible] a proposed demerger and management buy-out which Sir Ernest Harrison, the Racal chairman, sprang on a surprised City last November.

Under the proposal the Racal Telecom subsidiary, which operates the profitable Vodafone cellular network and is 80 per cent-owned by Racal Electronics, would be distributed to Racal Electronics shareholders *and Racal Chubb, the security* group, would be floated.

Sir Ernest has said he will lead a management buy-out of the remaining Racal busi[illegible] which include the government data network and would have included the superior telephone network.

Racal Electronics shares fell 5p to 169p with City analysts differing as to how great a loss it is to Racal and how it effects Sir Ernest's chances of leading an MBO. "It was disappointing because there was a lot of ho[illegible] value attached to the government contract," said Mr Adam Quinton, broker at Phillips & Drew.

Brokers agreed losses from the government contracts, running at around £25m this year, are likely to fall from anticipated levels in the year ending March 1992 as Racal no longer has to finance the installation of [illegible]

Some brokers said the value of the government contracts had fallen from over £250m to £100m, representing a loss equivalent to 15p per share. Others [illegible] the value of the contracts had been halved to around £50m.

One option the Racal board was believed to be [illegible] was the sale of the government contracts [illegible] Racal Telecom after ther demerger. This would not only place them in a part of the demerged group [illegible] they would [illegible] more comfortably but would also [illegible] cut the level of debt *remaining in the Racal Elec*tronics "rump".

[illegible] government invited Racal to talks on the proposed government telephone service *last February after nearly a* year of studying its needs. Individual departments are likely to examine their needs and contract individually with British Telecom or Mercury.

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Snecma to take share in new GE engine

By Paul Betts, Aerospace Correspondent

SNECMA, the French state-controlled aero-engine manufacturer, is increasing its long-standing co-operation links with *General Electric of the US in the commer*cial jet engine field by taking a 20 per cent share in a new heavy-thrust GE engine.

The new CF6-80E1 is the latest and most powerful version of GE's CFC-80 commercial jet engine family and will power the new Airbus A330 widebody, twin-engine aircraft.

Snecma said the new engine will have 73,000lbs of thrust and will come into commercial service in September 1993. So far airlines have ordered 81 widebody A330s to be powered by GE engines.

GE and Snecma have co-operated in commercial jet engines for the past 20 years including the CFM56 range, which *powers Boeing 737 and Airbus A320* narrow body aircraft, the larger CF6-80C2 and the planned new GE90 big thrust engine programme.

Snecma has a 10 per cent production share in the CF6-80C2 engine but is doubling its share to 20 per cent in the new, more powerful, CFC-80E1 derivative.

GE said yesterday that Snecma would be responsible for all final assembly of the new engine. The French group is also building new parts in both the high and low pressure systems of the new engine.

The US group said MTU of Germany, Fiat of Italy and Volvo of Sweden would also continue to co-operate in the new CF6 derivative.

Although *the agreement yesterday* intensifies the co-operation between Snecma and GE in the commercial jet engine sector, Snecma confirmed yesterday that it was seeking partnerships with other manufacturers in other aero-engine fields.

Snecma is discussing with Rolls-Royce the development of power plants for the next generation of military aircraft. It has also agreed to co-operate with Rolls-Royce in the development of an engine to power a second generation supersonic passenger aircraft to replace Concorde.

A lasting and successful alliance

Paul Betts looks at the 20-year association between Snecma, the aero-engine company, and GE of the US. Snecma's decision to invest in a stake in the production of a new version of GE's CF6 engine, strengthens the ties between the two groups.

Louis Gallois: plans a more independent approach

SNECMA, the French state-controlled aero-engine company has been inexorably bound to General Electric of the US for the past two decades. The French company's agreement yesterday to invest in a 20 per cent stake in the production of a new higher thrust version of GE's CF6 large engine family to power the new Airbus A330 widebody aircraft, further strengthens the ties between the two groups in the civil jet engine sector.

But there are also increasing signs that under its new chairman, Mr Louis Gallois, Snecma intends to adopt a more independent approach and seek [illegible] *partnerships with other* international companies in other aero-engine sectors.

Its 20-year-old association with GE has radically transformed the French company. It has also prompted GE's American rival, Pratt [illegible] Whitney, to seek a similar alliance with a European partner by negotiating a wide-ranging partnership with Motoren Und Turbine Union (MTU), the German aero-engine manufacturer, part of the Daimler-Benz group.

Before entering into what has become one of the most successful and lasting industrial alliances between a US company and a European group, Snecma was heavily dependent on the military engine business which accounted for as much as two-thirds of its sales. Today, the situation has been completely [illegible] with commercial engines representing [illegible] per [illegible] of Snecma's FFr13.5bn ($2.64bn) annual aero-engine turnover.

But although Snecma remains tied to [illegible] in its mainstream commercial jet engine business, Mr Gallois said he was anxious to develop links with other partners in other fields including the military sector and the development of a new engine to power the next generation supersonic passenger aircraft.

Snecma is holding discussions with Rolls-Royce on the joint development of power plants for the future *generation of military aircraft.* [illegible] *also* recently entered [illegible] with the UK aero-engine maker to study the joint development of a propulsion system for a new *supersonic* commercial aircraft for a second-generation Concorde.

In the [illegible] sector, Snecma and GE are considering developing a military version of their joint CFM engine for use on a military transport aircraft. But apart from this venture, Snecma has no ties with GE in the military engine business and appears more interested in a collaboration on future military engines with Rolls-Royce.

One of its most important current military programmes is the development of the M88-2 engine to power France's new Rafale combat aircraft. "This engine is 100 per cent Snecma," said Mr Gallois.

He argues that the company's expertise in military engines is a "great technical asset" with significant technological "spill-over" effects on civil engine manufacturing. Indeed, he says he is concerned by the dramatic shift in the balance between military and civil engines in his group.

"The civil side now accounts for 75 per cent of our activity [illegible] military sales since 1980 have remained stable while commercial engine sales *have grown sharply. I think* [illegible] per cent military is not enough and I would like to see eventually the military side account for about 35 per cent sales."

*But it is an expensive busi*ness. Snecma is funding, out of [illegible] own resources, between FFr3bn and FFr4bn of the overall FFr10bn development costs of the Rafale power plant. With costs rising and the defence market undergoing a profound evolution as a result of east-west detente, Mr Gallois said the Rafale engine would be the last military programme Snecma would undertake on its own.

"The future is in co-operation," he emphasised. [illegible] Snecma official also confirmed the French company's preliminary discussions on future military engines with Rolls-Royce.

But it is the partnership with GE in the development of subsonic commercial jet engines which is likely to remain the dominant factor in shaping Snecma's longer-term strategy, especially now that Snecma is beginning to earn a return from the joint CFM56 engine programme with GE. Even by commercial aircraft engine standards, the pay-off has been long to come.

GE and Snecma agreed to work together on the engine in 1970. Snecma had also [illegible] *Pratt &* [illegible] company United Technologies then owned a 12 per cent stake in the French group. Pratt at the time [illegible] *the dominant commercial* [illegible] engine manufacturer controlling about 80 per cent of the world market and was not interested in developing a com*peting engine. Rolls-Royce, for* its [illegible] going bankrupt. This left GE which, like Snecma, was anxious [illegible] develop a new civil jet engine. But it was not until 1982 that the first CFM56 entered into service. Since then it has been a remarkable commercial success story.

More than 3500 CFM56 engines are today in service and over 7,000 firm orders have been placed for these engines with the number rising to 10,000 if options are included. Production of CFM56 [illegible] currently running at a rate of 65 engines a month and will rise to 100 a month in 1992.

On [illegible] an aircraft equipp[illegible] CFM56 engine[illegible] takes off every 17 second somewhere in the world. In three years' time, according to Snecma, more than a quarter of all take-offs by civil jet aircraft worldwide will be [illegible]ered by the CFM56.

"As Snecma starts [illegible] more and more money from the CFM56 over the next 10 years, our biggest problem will *be how to spend this money to* become a major aero-engine company," explained Mr Gallois. After two very difficult years, when it lost FFr567m in 1987 and FFr26.6m in 1988, the group returned to profit in 1989. In the first half of last year, the Snecma engine company, the main component of the group, saw its net earnings rise to FFr61m from a profit of FFr25m for the first six months of 1989.

Snecma's chairman remains [illegible]ly confident that demand for civil jet engines will remain sustained [illegible] the longer term, despite the current downturn in the civil avia[illegible]n industry accelerated by the impact of the Gulf conflict on jet fuel prices and the [illegible]eral economic slowdown.

The lower dollar against the French franc was putting additional strain on the French company Mr Gallois said. He also warned the possibility of a drop in civil orders was a permanent risk.

To spread [illegible], Snecma needs to expand its product range, [illegible] Gallois explained. This would essentially involve increasing the number of new *engine programmes over the* next few years to six or seven. With GE, the French group is expanding and modernising the CFM56 family with the [illegible] of [illegible] new engines. Snecma agreed last year to take a 25 [illegible] cent stake in GE's $1.5bn [illegible]gramme to [illegible] a new high thrust *engine, the GE90, to power the* new [illegible] of widebody aircraft now under development by Boeing, McDonnell Douglas and Airbus.

GE and Snecma are also examining the development of a smaller engine to power new 100-seater regional jet aircraft programmes under consideration by a number of aircraft manufacturers.

Ferri cuts staff as earnings fall

By William Dawkins in Paris

FERRI, the French stockbroking firm, yesterday became the latest on the Paris bourse to report an earnings decline and a reduction in staff.

Mr [illegible] Ferri, group chairman, estimated that operating profits fell from FFr35m in 1989 to between FFr5m ($980,000) and FFr10m last year.

The group, which used to have the largest staff of any *French stockbroking firm, has* reduced its workforce from 240 in June to 212, all through natural wastage. On top of [illegible], Mr Ferri plans to make 20 redundancies shortly.

Like the five other independent brokers left on the Paris market, Ferri has been affected by investors' growing tendency to do business with big institutionally owned firms which appear more secure.

The general squeeze on commissions last July led to the collapse of Tuffier et Associés, another independent broker, *which has since been taken* over by an offshoot of [illegible] Lyonnais, the state-controlled [illegible]

However, Mr Ferri claims his firm has suffered a smaller decline in brokerage income than the average [illegible] market.

Ferri's commission income on share dealing fell by 28 per cent to FFr80.2m, while its brokerage on the futures market rose by 40 per cent to FFr19.5m and commission from dealings on the options market rose by 70 per cent to FFr17.5m.

The group expects to remain profitable in the current year, even if [illegible] market conditions do not improve.

Ciba-Geigy and Olin Corp to set up chip venture

By William Dullforce

CIBA-GEIGY, Switzerland's biggest chemicals group, [illegible] investing $70m in a joint venture on micro-electronic materials with Olin Corporation of Stamford, Connecticut, in the US.

Each company will have a 50 per cent stake in OCG Micro[illegible], which will combine their research, development, production and marketing of photoresists and [illegible] used in making advanced semiconductors.

The world market for photoresists is valued at $250m a year and has been growing at a yearly rate of [illegible] to 10 per cent. Worldwide sales of the polyimides, used mainly as intercommunicating [illegible] between chips in [illegible] boards, were between [illegible] and $60m in 1990. The market has been growing yearly by between 15 and 20 per cent.

OCG's sales are expected to be initially 60 per cent US, 40 per cent Europe. Photoresists will be [illegible] in Japan and south-east Asia through Fuji-*Hunt* [illegible], *of* which OCG will own 49 per cent.

Teledyne income takes dive in fourth quarter

By Karen Zagor

TELEDYNE, the California conglomerate which last year spun [illegible] finance and insurance subsidiaries, yesterday turned in sharply lower fourth-quarter net income, [illegible] line with expectations.

For the three months ended December 31, Teledyne had net profits of $800,000, or 1 cent a share, compared with $38.8m ($1.14) in the corresponding period a year earlier. Last year's results where boosted by $24.1m, or [illegible] cents a share, by income from discontinued [illegible]

Sales in [illegible] 1990 fourth quarter were $880.4m, against [illegible] a year ago.

The [illegible] said in December that its fourth-quarter earnings would "about break even".

For the whole of [illegible], Teledyne posted net income of $94.8m, or $1.71 a share, on sales of $3.45bn. This compared with net income of $258.9m, or $4.66 a share, which included *$108.6m of income from* discontinued operations, on sales [illegible] $3.53bn in [illegible]

It said its operating profit before taxes in 1990 was hurt by about [illegible] due to "provisions for losses from the performance of development and initial production [illegible] contracts. About [illegible] of [illegible] pre-tax charge was recorded in the fourth quarter."

The company attributed the deterioration of its earnings to the economic slowdown in the [illegible] and [illegible] industries, estimated losses on the [illegible] of [illegible] operating companies, settlements for aircraft product liabilities and strikes at some engine manufacturing sites.

The 1989 figures [illegible] to reflect the company's former insurance and finance subsidiaries as *discontinued operations*, and were adjusted for a 5-for-1 common stock split.

Teledyne's [illegible] unchanged [illegible] at [illegible] yesterday on the New York Stock [illegible]

Profits at Luxembourg banks decline by 15%

By David Buchan in Luxembourg

THE SLOWDOWN in the [illegible] cycle and sharper competition from other banking centres reduced the profits (before provisions) of Luxembourg's powerful banking sector by 15 per cent last year, according to Mr Pierre Jaans, director-general of the Institut Monetaire Luxembourgeois (IML).

Mr Jaans, whose IML is the grand duchy's equivalent of a central bank, also said in an interview that provisions would have to be increased to take account, among other factors, of greater risks of loan exposure in eastern Europe and the Soviet Union, once considered solid bets for western bankers.

In 1989, Luxembourg banks recorded profits (before provisions) of LFr75.482bn ($2.45bn). Mr Jaans said preliminary figures available to the IML indicated that the [illegible] figure would be some 15 per cent lower. This is despite the fact that the number of banks rose from 166 at the end [illegible] 1989 to 177 by the end of November 1990, with six French banks setting up in the duchy after the ending of [illegible] in France last year.

The Association of Luxembourg Bankers (ALB) said there was nothing surprising about Mr Jaans' profit prediction, which was less bleak than *in many other financial* centres. An ALB spokesman said it could be compared to the 1986-87 downturn, though he admitted the problem was this time not just the cyclical effect of interest rates rises and stock market falls, but also because Luxembourg was now experiencing sharper competition from other financial centres.

Despite having to set aside larger provisions out of smaller profits for last year, Luxembourg banks will have no difficulty in meeting the new EC capital adequacy rules, Mr Jaans said.

When this directive [illegible] phased in during 1993-94, banks will have to have capital equal to 8 per cent of a weighted sum of their assets. The IML director [illegible]ral said half of the banks were already comfortably above the 8 per cent mark.

Canada Packers sells division

By Clay Harris, Consumer Industries Editor

CANADA Packers, Canada's largest food processing company, has sold its dairy division, which includes the Black *Diamond cheese brand, to* Ault Foods, a subsidiary of the diversified brewing group John Labatt, for about C$50m ($43.4m).

The deal is the largest *dis*posal completed since Hillsdown Holdings, the British food group, took control last June. Hillsdown owns 56 per cent of Canada Packers.

The dairy division had sales of C$158m in the year to March 31 1990.

Only one of its three plants *in Ontario* will change hands. Canada Packers will close the other two on January 31, eliminating 140 jobs.

Canada Packers last month sold its peanut butter operation for C$22.5m to CPC International.

It is also entertaining offers for its edible oils business, Canada's largest.

هكذا من الأصل

هكذا من الأصل

Japanese ad men tackle their toughest campaign

Alice Rawsthorn looks at plans by three leading agencies to follow Asatsu on to the stock exchange

WHEN [illegible], one of the leading Japanese advertising agencies, announced its intention to go public three years ago, its decision caused consternation among its fellow agencies.

All the other Japanese agencies were, after all, in private hands. The concept of a publicly-quoted company seemed out of place [illegible] this long tradition of private ownership and the idiosyncratic structure of the Japanese advertising system.

Three years later, Asatsu's flotation is considered to have been a resounding success. It shares have outperformed the Tokyo stock market. Three other advertising [illegible] – Tokyu Agency, Dai-Ichi Kikaku, and Daiko – are now finalising plans to follow [illegible] on to the stock market.

Tokyu and Dai-Ichi Kikaku, the third and fourth largest agencies in Japan, are restructuring their finances before applying to join the Tokyo stock market this spring. Daiko, the number five agency, is said to be considering a [illegible]tation in Osaka.

One reason for this sudden surge of interest in flotations is that the other agencies have been impressed by [illegible] share price performance. Asatsu itself, according to its president, Mr Masao Inagaki, is pleased with the decision to go public.

TOP 10 JAPANESE [illegible] IN [illegible]
(Ranked by turnover)

Dentsu
Hakuhodo
Tokyu Agency
Dai-Ichi Kikaku
Daiko Advertising
Asatsu
Yomiko Advertising
I&S Corp.
McCann Hakuhodo
Asahi Advertising

Source: Advertising Age

However, the agencies have [illegible] motivations. They [illegible] flotation as a way of raising their status within the Japa[illegible] advertising industry and also as a means of raising capital to finance their expansion into other countries.

The issue of status is of peculiar importance to the [illegible] of the balance of power in [illegible] Japanese advertising industry, which [illegible] dominated by two giant agencies, Dentsu and Hakuhodo.

Dentsu and Hakuhodo have towered over their competitors for decades. Dentsu [illegible] accounted for almost a quarter of the Y5,071bn ($39bn) spent on advertising in Japan in 1989 and Hakuhodo for another fifth. The sheer scale of their buying power means these agencies exercise considerable influence over the Japanese media. Their position is so powerful [illegible] they effectively act as media brokers, selling newspaper space and television time on to other agencies.

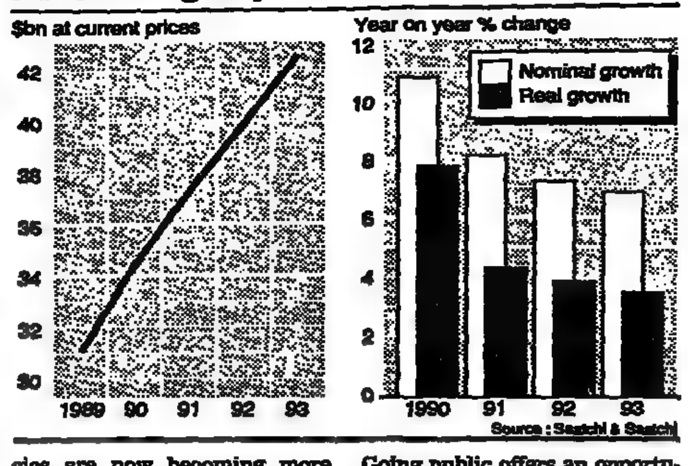
This makes it very difficult for the smaller agencies to expand. They tend to do so by carving out their own areas of expertise. In Asatsu's case, it's the creation of children's cartoons for television. Dai-Ichi Kikaku is heavily involved with radio advertising. Tokyu has benefited from its political contacts.

Going public is, said Mr Shoichi Nakagawa, senior managing director of Tokyu, yet another way for agencies to "[illegible] a clear position in the market", thereby differentiating themselves from Dentsu and Hakuhodo.

It also offered an opportu[illegible] for the [illegible] to raise capital for international expansion. Until recently, Japanese agencies have tended to concentrate on protecting their position in the Japanese market. Asatsu, for instance, makes less than 1 per cent of [illegible] income outside Japan. Tokyu makes virtually none.

However the Japanese agencies are now becoming more active overseas. This is partly due to concern that the domestic market is becoming increasingly competitive after [illegible] of healthy growth, and partly because they fear they will miss out on expansion opportunities [illegible] yet more Japanese companies [illegible] into other countries.

Forecast growth of Japanese advertising expenditure



Source: Saatchi & Saatchi

Mr Masaaki Yabe, managing director of Dai-Ichi [illegible] overseas division, is convinced the future success of the Japanese agencies will be determined by their ability to operate as international networks.

Going public offers an opportunity to raise the capital needed to create - and maintain - [illegible] overseas operation. Asatsu is already in the closing stages of negotiations with BBDO – the US agency owned by the Omni[illegible] marketing group, [illegible] which Asatsu already [illegible] joint venture in Japan – over the formation [illegible] international network. Daiko plans to [illegible] its liaison with Grey, its US partner. Dai-Ichi Kikaku is in discussions with a number of [illegible]tial partners.

However, the agencies [illegible] number of obstacles as they prepare for flotation. The regulations imposed by the Tokyo stock exchange are notoriously strict particularly, since the Recruit scandal, in the area of the relationship between parent companies and subsidiaries.

This poses problems for the advertising agencies, given that many have formed joint ventures with Western partners. Tokyu, for instance, formed a joint venture, Tokyu International Advertising, originally with D'Arcy Masius Benton & Bowles, the US agency. Tokyu must sever all connection with TIA, a subsidiary of its parent company, Tokyu Group, before being allowed to go public.

In many ways the stock exchange regulations are the least of the problems facing the [illegible] agencies as they finalise plans for flotation.

The Japanese advertising market is maturing. There was a significant slowdown in advertising expenditure last autumn because of the uncertainty caused by [illegible] the Gulf crisis and the stock market slump. The outlook for this year is [illegible] gloomier.

Asatsu went public at a time when the Japanese advertising mar[illegible] [illegible]ordinarily buoyant. Tokyu, Daiko and Dai-Ichi Kikaku are [illegible] to do so in a much more competitive climate.

Improved ore grades bolster Gold Fields

By Philip Gawith in Johannesburg

IMPROVED ore grades at seven South African gold mines in the Gold Fields group helped them overcome a decline in the gold price and record increased profits in the quarter to December.

Tons milled in the group declined marginally from 3.59m to 3.54m tons, due mainly to losses in production following underground fires at Deelkraal and Doornfontein, and the winding down of operations at Vlakfontein. However, an increase in the average yield per ton of ore milled meant the total amount of gold produced rose 3 per cent to 28,178kg.

This was sufficient to offset the decline in the average price of gold received to R31,239 from R31,752 ($12,500) per kg so that gold revenue was slightly higher at R881m, compared with R869m. Working costs were well controlled, and after-tax profits were up at R238m from R214m, against which must be set the large capital expenditure figure of R203.6m.

Mr Alan Munro, executive director in the gold division, stressed [illegible] the industry's position remained "sombre". He added: "On all our mines, particularly [illegible] high payers which have got fat, a lot of [illegible] is going into trimming the fat." As yet there have been no retrenchments on Gold Fields mines and the group has two new mines which offer employment opportunities.

At Driefontein Consolidated, East Driefontein returned to more normal production levels following problems in the previous quarter. West Driefontein achieved an increase in yield to 11.3 grams per ton from 10.8. Gold produced rose to 7,947kg from 7,234kg while tons milled was constant. Overall after-tax profit at Driefontein rose from R108.3m to R130.9m.

Kloof, the group's other heavyweight mine, had a less fortunate quarter. Ore milled and yield were maintained, but costs per ton milled rose from R215.3 to R223.3. This contributed to a decline in after-tax profits from R96.6m to R90.8m.

Of the other mines, Venterspost had another poo[illegible]ter, with an operating [illegible] R6.8m. Mr Munro said development of the new No 4 shaft complex, where production would ultimately shift, was going well.

He could not say when production at Doornfontein, closed after fires last month, would resume. He said plans to restore production would incorporate "previous endeavours [illegible] restore profitability of the mine by rationalisation of the scale of operations."

Waste company stalks fresh prey in Europe's green growth

Barbara Durr meets the big game hunter who heads the US environmental group Waste Management

A FEW years ago, Mr Dean Buntrock, chairman of the US company Waste Management, scented opportunity in the not-so-green pastures of Europe.

In some areas, Europe's handling of waste is estimated to be about five to 10 years behind that of the US, and Mr Buntrock wanted to position his company, the world waste-handling leader, to ride atop the green wave expected to roll through Europe this decade.

Mr Buntrock is a long way towards his goal. In the past 18 months, Waste Management has made a series of acquisitions and joint ventures that have sent the company's European yearly revenues rocketing from less than $50m to more than $700m.

Waste Management can now claim a presence in six European countries: Germany, Italy, Spain, Denmark, the Netherlands and Sweden. And this year it is seeking partners for further acquisitions or joint ventures in the UK and France.

The company has not disclosed the amount it has invested nor its war chest. But their strategy has won high marks. "We think... they're well-positioned. Europe is the next big opportunity," said Mr Oliver Nicklin of Chicago-based First Analysis, an investment advisory business specialising in "green" industries.

Mr Buntrock, a big game hunter whose office is adorned with such trophies as moose heads and brown bears, knows the virtues of stalking, patience and an accurate aim.

He is building the company internationally in much the way he has built it domestically – getting in and staying ahead of the regulatory curve. He is also credited by analysts and his peers with an uncanny sense of opportunity.

Four years ago, Mr Buntrock foresaw that recycling would be an important new business for the US solid waste industry. Starting from zero then, the company's recycling business has swelled to more than 800 municipal contracts, representing about 7m people.

It has also struck agreements for recycling plastics with Du Pont, and metal and paper containers with American National Can and Stone Container.

During the past five years it has achieved average compound growth rates of 28 per cent for revenue and 32 per cent for net income. Total revenues last year were about $5.5bn, against $656m 10 years ago.

It has the largest solid waste operations in north America, including collection services for more than 8m homes and 814,000 commercial and industrial customers.

It operates 126 landfills in 35 states and two Canadian provinces, is north America's largest provider of recycling collections and has the nation's largest hazardous waste operations through [illegible]iary Chemical Waste Management.

This year it also increased its equity stake in Wheelabrator Technologies, the leading US developer of waste-to-energy systems, from 22 per cent to 55 per cent.

However, the company must contend with criticism from some environmental groups. Greenpeace, for example, is preparing a document attacking the company for alleged corruption and persistent violation of anti-trust and environmental laws.

However, industry analysts and some green activists say the company is environmentally sensitive.

It has begun its European expansion largely through collection and disposal services, but it expects the industry in the European Community to become as regulation-driven as it is in the US.

As US rules toughened, the private, low-cost operators were forced to upgrade or sell out. Cities and towns, which once had their own collections and dumps, have moved to contract to more high-tech private companies. Waste Management reckons that Europe will follow the same path.

Mr Buntrock expects European competition to be tough. For example, Europeans tend to incinerate more than the Americans and there is greater use of waste energy plants.

While Europe represents the company's first big burst of foreign expansion, its international operations – which it is considering spinning off as a separate company – cover Saudi Arabia, Venezuela, Argentina, Australia, New Zealand, Hong Kong and China.

Banks seek to reduce EIE debt

By Robert Thomson in Tokyo

EIE International, the privately-held Japanese property developer with extensive foreign interests, yesterday confirmed its banks had increased their management role, but denied reports that the company was facing receivership.

The Long-Term Credit Bank of Japan, the leading lender to the EIE group, is to send specialists [illegible] the company [illegible] examine ways of reducing the outstanding debt, estimated at Y500bn ($3.7bn), and has promised to assist in covering interest payment obligations.

EIE says the sharp rise in Japanese [illegible] over the past year has caused financial problems. It indicated [illegible]terday that the company could sell off property interests outside its core [illegible] of [illegible] development in the southern Pacific region.

The company controls office buildings, hotels and golf courses in the US, UK, Australia, Thailand and New Zealand, and has a half share in an Australian university founded by the businessman Mr Alan Bond.

Mr Harunori Takahashi, EIE's president, and Mr Bond have jointly developed several projects, and the Japanese company bought the Bond Centre building in Hong Kong from the troubled Australian entrepreneur.

"We would not be telling the truth if we pretended that we are not having problems, but our core businesses are strong. Interest rates have practically doubled in the past [illegible], and that is a big headache for our company," EIE said.

Apart from the Long-Term Credit Bank, which says its own exposure is around Y100bn, EIE's other main banks have been Mitsui Trust and Banking, Sumitomo Trust and Banking, and the [illegible] Credit Bank.

EIE said the banks sent directors to the company over a [illegible] ago. They were [illegible] "fortifying their relationship".

Brazil to rescue [illegible] shipper

THE BRAZILIAN government has announced a US$51m rescue package for Lloyd Brasileiro, the ailing state-owned maritime group, writes Victoria Griffith [illegible] Paulo.

Under [illegible] scheme, Lloyd's short-term [illegible] is being paid off in order to free nine ships confiscated by creditors in Europe, the US and [illegible]. According to Dr Jarbas Passarinho, justice minister, the funds will be released by the government this week at the latest to prevent creditors from auctioning [illegible] ships. [illegible] vessels are now under threat of auction.

In December, President Collor announced the decision [illegible] either extinguish or privatise Lloyd, which carries total debts of US$300m.

Inco raises gold interests

By Robert Gibbens [illegible] Montreal

THE WESTERN world's biggest nickel producer, Inco, [illegible] becoming a medium-sized gold and silver producer.

The merger of its Inco Gold subsidiary with Consolidated TVX Mining was approved by TVX shareholders. The continuing TVX Gold will be 62 per cent-owned by Inco and will hold interests in six properties with estimated 1991 [illegible] output of 350,000 [illegible] 400,000 ounces of gold and silver equivalent.

TVX Gold will have 60 per cent of two former Inco Gold operations in north-western Quebec that started production in 1988; 50 per cent of La Coipa in Chile, already a producer [illegible] gold and silver; half a Montana gold producer; and interests in four Brazilian operations.

Average cash production costs will be about US$200 an oz and known reserves are estimated at 7m oz of gold and equivalent.

At September 30 1990, TVX Gold had pro forma assets of US$250m, long-term debt of US$37m, and 9 months' net profit was US$11.8m.

Mr David James, mining analyst at Richardson Greenshields Canada, says that TVX Gold, in stock market terms, will rank with Pegasus Gold, a solely North American producer, and Cambior, mainly a Quebec producer but expanding overseas.

● Shell Canada is paying C$100m for Gulf Canada Resources' 10 per cent working interest in the Caroline gas field north west of Calgary.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 7, 1991. In some cases the rate is nominal. [illegible] rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign [illegible] to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	52.0724	33.9897	38.0998
Albania	(Lek)	9.8765	5.1817	3.3823	3.7913
Algeria	(Dinar)	22.85	11.9884	7.8253	8.7715
Andorra	(Fr Fr)	9.9150	5.2019	3.3955	3.8061
	(Sp Peseta)	184.90	97.0094	63.3219	70.9788
Angola	(Kwanza)	58.9910	30.9501	20.2023	22.6452
Antigua	(E Carr $)	5.1370	2.6951	1.7592	1.9719
Argentina	(Austral)	11115.50	5831.85	3806.68	[illegible]
Aruba	(Florin)	3.4055	1.7867	1.1662	[illegible]
Australia	(Aus $)	2.4558	1.2883	[illegible]	[illegible]
Austria	(Schilling)	20.526	10.7686	[illegible]	[illegible]
Azores	([illegible] Escudo)	261.20	137.041	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Gambia	(Dalasi)	13.98	7.3347	[illegible]	5.3666
Germany	(D-Mark)	2.9200	1.532	1	[illegible]

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	659.45	345.986	225.839	253.148
Gibraltar	(Gib £)	1.00	0.5246	0.3424	0.3838
Greece	(Drachma)	305.85	160.467	104.743	117.409
Greenland	(Danish Krone)	11.2350	5.8945	3.8476	4.3128
Grenada	(E Carr $)	5.1370	2.6951	1.7592	1.9719
Guadaloupe	(Local Fr)	9.9150	5.2019	3.3955	3.8061
Guam	(US $)	[illegible]	1	0.6527	0.7316
Guatemala	(Quetzal)	[illegible]	5.1891	[illegible]	3.7967
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Guinea-Bissau	(Peso)	1236.60	648.793	423.493	[illegible]
Guyana	(Guyanese $)	84.25	44.2025	28.8527	32.3416
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Nepal	([illegible] Rupee)	57.6630	[illegible]	[illegible]	[illegible]
New Zealand	(NZ $)	[illegible]	[illegible]	1.1018	[illegible]
Nicaragua †	(Cordoba)	[illegible]	2994491	1954623	[illegible]
Niger Rep	(CFA Fr)	495.75	260.1	169.777	[illegible]
Nigeria	(Naira)	16.7420	8.7838	5.7335	6.4268
Norway	(Nor. Krone)	[illegible]	[illegible]	3.9083	4.3809
Oman	([illegible])	[illegible]	[illegible]	0.2517	0.2821

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	41.10	21.5634	[illegible]	[illegible]
Panama	(Balboa)	1.9060	1	0.6527	0.7316
Papua New Guinea	(Kina)	1.8160	[illegible]	0.6219	[illegible]
Paraguay	(Guarani)	[illegible]	1253.02	817.894	916.795
Peru ‡	(New Sol)	0.9895	0.5191	[illegible]	[illegible]
Philippines	(Peso)	51.00	26.7576	17.4657	19.5777
[illegible]	(£ Sterling)	1.00	0.5246	0.3424	0.3838
	(NZ $)	3.2175	1.688	1.1018	1.2351
Poland	(Zloty)	18504.00	9708.29	6336.99	7103.26
Portugal	(Escudo)	261.20	[illegible]	89.452	100.269
Puerto Rico	([illegible])	1.9060	1	0.6527	0.7316
Qatar	(Riyal)	[illegible]	3.6482	2.3813	2.6692
Reunion Is. de la	(F/Fr)	[illegible]	5.2019	3.3955	3.8061
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-British	(US $)	[illegible]	1	0.6527	[illegible]
Virgin Is-US	(US $)	1.9060	1	[illegible]	[illegible]
Western Samoa	(Tala)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen	(Rial)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen PDR	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Yugoslavia	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Zaire Rep	(Zaire)	3621.20	[illegible]	[illegible]	[illegible]
Zambia	(Kwacha)	87.30	[illegible]	[illegible]	[illegible]
Zimbabwe	($)	5.02	2.6337	1.7191	[illegible]

Special [illegible] Rights January 4, [illegible] United Kingdom £0.7[illegible] United States $1.[illegible] Germany D Mark 2.13494 Japan Yen190.609
[illegible] Unit [illegible] January 7, 1991 United Kingdom £0.[illegible] D Mark 2.04854 Japan Yen182.515

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) [illegible] rate; (k) Buying rate; (l) Luxury goods; (m) Market [illegible]; (n) Public [illegible] rate; (o) Official rate; (p) preferential [illegible]; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; § Kuwaiti [illegible] Unavailable. ◆ Hungarian Forint devalued by 15% ‡ New Peruvian currency introduced on Jan. 1 called New Sol. † Nicaraguan Cordoba devalued by 9%.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 [illegible]
Monday [illegible] 7, 1991

LEGAL NOTICE

Company Number 1505582
Registered in England and Wales
GENEVAC LIMITED
Principal place of business
9 Farthing Road, Ipswich, Suffolk

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Ipswich Post House Hotel, London Road, Ipswich IP2 0LA on 9 January 1991 at 11.00 am for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be [illegible] free of charge at: the offices of Cork Gully, Mount Pleasant House, Huntingdon Road, Cambridge CB3 0BL

between 10.00 am and 5.00 pm on the two business days prior to the meeting.

Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxies at: the offices of Cork Gully, Mount Pleasant House, Huntingdon Road, Cambridge CB3 0BL no later than 12 noon on the business day prior to the meeting. Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Unless there are exceptional circumstances, creditors will not be entitled to vote unless their proofs have been lodged and admitted for voting purposes. Whilst proofs may be lodged at any time before voting commences, creditors intending to vote at the meeting are requested to send them with their proxies. Unless they surrender their security, secured creditors must give particulars of their security and its value if they wish to vote at the meeting.

DATED this 21 day of December 1990
By order of the board

[illegible]

INTERNATIONAL CAPITAL MARKETS

Gulf war fears prompt slide in Treasury prices

By Karen Zagor in New York and Simon London in London

US TREASURY bond prices continued to deteriorate yesterday as fears that war in the Gulf was inevitable once again began to grip the US markets.

In late trading the Treasury bellwether 30-year bond was down $1\frac{3}{16}$ at $104\frac{11}{16}$, yielding 8.32 per cent. Losses were less severe at the short end of the yield curve, where the two-year note was quoted $\frac{1}{32}$ lower to yield 7.18 per cent.

The Federal Reserve refrained from operating in the open market when the funds were trading at $7\frac{1}{16}$ per cent, close to the Fed's perceived target for the rate of 7 per cent. But by the end of the day they had plunged to 2 per cent. The funds have been extremely volatile in recent weeks, in part because of year-end factors.

But, a series of reserve projection miscalculations by the Fed has contributed to the lack of stability, pushing [illegible] key

GOVERNMENT BONDS

rate as *something in here (T#130748) * low as $\frac{1}{16}$ per cent late on Friday, after the Fed had spent the week adding liquidity to the banking system because the funds were trading above the perceived target of 7 per cent. The Fed is now seen as facing a substantial draining need.

Talk of war in the Gulf sent [illegible] prices higher. In late trading, [illegible] February [illegible] oil contract gained [illegible] $27.65 [illegible] New York Mercantile Exchange.

US Treasury prices were also burdened by the large level of new supply to be absorbed this week. In addition to the Treasury's weekly auction of $20bn of bills yesterday, the Treasury will sell $8.5bn of seven-year notes [illegible] Wednesday and $11.75bn of 52-week bills on Thursday. The Resolution Funding Co[illegible]tion will sell $4.9bn of 30-year bonds and $2bn of 39¼ [illegible].

■ AGAINST a background of [illegible] in most major [illegible] markets, UK government bonds staged something of a [illegible] yesterday, opening sharply lower but rising [illegible] the day on the back [illegible] strength of sterling.

In the [illegible] market, the benchmark 11¾ per cent gilt maturing 2003/2007 opened sharply lower at $107\frac{9}{16}$ on fears that the Gulf crisis is heading inexorably towards war. However, the bonds [illegible] up during the course of the day to close at $108\frac{5}{8}$, a net fall of just $\frac{1}{8}$ against Friday's close, for a yield of 10.537 per cent.

In the futures market, the key March futures contract finished the day at 90.07, having opened 89.24.

[illegible] reported some limited overseas buying of gilts as sterling [illegible] residual status as a petro-currency status on the foreign exchange markets.

For example, sterling finished the day at DM2.921 having opened at DM2.9135. The days gains lifted sterling off the bottom of the European monetary system grid.

■ JAPANESE government bonds traded lower overnight in Tokyo, with the outcome of the Gulf crisis dominating investors attention after the new year holiday.

The benchmark government bond issue No 119 closed the day on a yield of 6.975 per cent, down slightly on the day after opening at 6.95 per cent.

The fall is more dramatic judged against Friday's opening, which saw the 119 on a yield of 6.84 per cent.

Market sentiment was also depressed by the weak performance of the yen against the dollar on the foreign exchange markets, as the US currency benefited from its safe-haven status.

On Friday the dollar was trading at Y133.5, against Y136.5 yesterday.

■ GERMAN government bonds moved lower in both cash and futures markets yesterday, with sentiment dominated by the Gulf crisis.

In the cash market, the latest 9 per cent 10-year bund, maturing 2001, closed the day on a price of 100.05 to yield 8.99 per cent, against 8.94 per cent at Friday's close.

In the futures market, the March bund future opened at 82.26 and slid to a low of 81.90 before recovering towards the end of the day to close at 81.98. Volume was sluggish 33,600 contracts.

"The sharper tone adopted by all sides involved in the Gulf crisis makes war more likely and that is bad for the markets in the short-term," commented one analyst.

However, most traders expect the underlying economic situation to push bond prices higher if the crisis can be resolved without military conflict outside the region.

● The offer to bondholders to exchange Swiss franc warrant bonds and convertible bonds issued by Carter Holt Harvey, the New Zealand forestry group, into its 8 per cent Swiss franc convertible bonds due 1996 would be extended to January 28 from January 14, according to lead manager Warburg Soditic.

The issue was announced in August, but postponed because of capital market uncertainty due to the Gulf crisis.

Holders of outstanding warrant bonds due 2001, and the convertible bonds due 1997, 1994 and 1995 may exchange their bonds for the new ones.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-07	+03/32	11.34	11.54	11.13
		9.000	03/00	91-00	+10/32	10.55	10.64	10.68
		9.000	10/08	90-25	+13/32	10.11	10.38	10.17
US TREASURY *		8.500	11/00	102-15	-24/32	8.12	8.08	8.05
		8.750	08/20	104-23	-39/32	8.31	8.25	8.22
JAPAN	No 119	4.800	06/99	88.3855	-0.186	6.98	7.04	7.18
	No 129	6.400	03/00	98.5728	-0.310	6.65	6.69	6.88
GERMANY		9.000	10/00	99.9500	-0.310	9.00	8.99	8.80
FRANCE	BTAN	[illegible]	11/95	95.3247	-0.249	10.25	10.23	10.10
	[illegible]	8.500	03/00	[illegible]	-0.730	9.98	9.99	9.89
CANADA *		[illegible]	03/01	161.7500	-0.809	10.21	10.27	10.23
NETHERLANDS		[illegible]	[illegible]	100.0800	-0.290	9.24	9.21	9.02
[illegible]		13.000	07/00	104.8418	-0.694	12.13	12.07	12.02
BELGIUM		10.000	08/00	100.2000	-0.350	9.95	9.81	9.86

London closing, *New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 7

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101	101¼	[illegible]	[illegible]
ALBERTA, PROVINCE 9 3/8 95	600	103¼	103¾	[illegible]	8.51
AUSTRIA 8 1/2 00	400	98¾	98⅞	[illegible]	8.81
BANK OF TOKYO 8 3/8 96	100	97½	97⅞	[illegible]	9.01
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93¾	94¾	[illegible]	9.34
KREDIETCORP 7 93 LFr	1000	93¼	94¼	[illegible]	10.09
WORLD BANK 8 96 LFr	1000	94	95	[illegible]	9.47
AMRO BANK 6 1/4 92 Fl	150	94¾	95¼	[illegible]	9.99
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. [illegible]
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

INTERNATIONAL CAPITAL MARKETS

Top borrowers forced to pay premium Euro-rates

By Tracy Corrigan

TWO TOP borrowers were forced to pay a premium in [illegible] tap the Eurobond market yesterday, dealers said, as the approach of the January 15 deadline for Iraq's withdrawal from Kuwait kept investors [illegible] bay.

Given their generous pricing, deals for the European Investment Bank [illegible] the Republic of Finland met [illegible] disappointing response. Lesser credits would be hard to bring to market in the current environment.

The EIB's ECU500m issue of 10-year bonds offers investors 11 basis points higher yield than the EIB's outstanding 10 per cent bonds due 1997. Dealers said the bonds offer good value, as the yield curve is fairly flat.

Even though investors were less enthusiastic than expected around 80 per cent of the paper was sold by the end of the day. The deal was eligible for sale in the US private placement market under rule 144A, [illegible] there was little initial demand from the US.

INTERNATIONAL BONDS

The EIB is using a deferred rate settlement to manage interest rate exposure.

The first sizeable dollar deal of the year, Finland's $300m five-year offering was priced at a yield spread of 58 basis points above the comparable US Treasury. The bonds yield 2 basis points more than Finland's outstanding $550m deal, with which the new bonds will be traded interchangeably, and 18 basis points more than the World Bank's five-year global notes.

Despite the lack of paper in the dollar sector – and few *benchmark issues* which mature in five years – there was no sign of pent-up demand. Although around three-quarters of the deal was estimated to have been sold by the end of the day, most investors were buying small amounts of paper, dealers said.

In the Japanese equity-linked market, Omron Corporation launched a $370m four-year deal via Nomura International. The deal was quoted at 100¾ bid, ¾ point above its issue price.

Bond dealers uncertain of war's legal implications: Page 2

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	[illegible]	[illegible]	Maturity	[illegible]	[illegible] runner
US DOLLARS						
Om[illegible]‡◆	370	(4⅞)	100	1995	2¼/1½	Nomura Int.
[illegible] Finland(c)◆	300	9	102.10	1996	¼/⅛	Morgan Stanley Int.
ECUs						
EI[illegible]◆	500	10	98.82	[illegible]	[illegible]	Paribas Capital Mkts.

**Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Purchase fund during first 3 years. Non-callable. c) Fungible with existing deal launched 1988. Non-callable.

Berlin may list east German stocks

By Katharine Campbell in Frankfurt

EAST German shares could be listed on the Berlin stock exchange as early as the second half of this year, according to Mr Jörg Walter, the exchange's chief executive.

The move would provide an additional option in the giant task of privatising east German industry.

Mr Walter yesterday suggested that the so-called "Freiverkehr" third market might be an appropriate vehicle, because it offers far less stringent listing requirements than the other markets, but falls under the central exchange supervision mechanisms.

"I have spoken to numerous companies who are interested in coming to the stock market and [illegible] can offer a positive outlook, with [illegible] attractive range of products and the prospect of continuing profits," said Mr Walter.

He sees the "Freiverkehr" market as a "springboard" into the official market. Berlin currently has around 50 stocks in this category.

While Frankfurt has emerged as the centre for international investors, for [illegible] these initial [illegible] German [illegible] would be too small to [illegible] of interest, [illegible] develop [illegible] regional role by attracting just such names, according [illegible] Mr Walter.

Companies would [illegible] their shares distributed more widely, including in the [illegible] part of the country, which could [illegible] an attrac[illegible] alternative to being swallowed by [illegible] single [illegible] German or foreign entity, he maintains.

Two possible candidates mentioned were Mitropa, the catering company servicing the [illegible] German railways and motorway service stations, and Elpro, a Berlin electronics manufacturer.

Frankfurt's accumulated power and efforts to centralise the still regional German stock exchange [illegible] have [illegible] other exchanges casting round for [illegible] new role. Berlin is keen to exploit its geographical position as a gateway to eastern Europe.

Traders take bank collapse in stride

By Stephen Fidler, Euromarkets Correspondent

THE COLLAPSE of the Bank of New England yesterday reinforced nervousness in the international capital and money markets about the [illegible]dit quality of many US banks, but failed to make a dramatic impact on trading.

The bank's troubles had been widely publicised for at least a year, and its collapse was not a surprise. The federal rescue had further reduced the chance for panic, bankers said.

Many foreign banks had used the last year to cut credit lines to the bank. A senior official at National Westminster, for example, said yesterday that NatWest had stopped extending new credit to the bank about a year ago and now had zero exposure since credit lines had been repaid and not replaced.

Bankers said the collapse would underline the increasing difficulties of some US banks in using and operating in the international capital and treasury markets. They expected an *intensification of "layering"* – where interest rate spreads increase on the paper of banks of differing credit quality – between US and foreign banks and among US banks.

"US banks have been an increasingly hard sell in this market anyway," said one international swaps broker. He said swap rates had increased yesterday by 3 to 4 basis points, reflecting the collapse and worries about tension in the Middle East.

In the US, the two concerns heightened demand for short-term, high-quality assets such as Treasury bills, in [illegible] typical flight to quality, dealers said. But there appeared to be no stampede.

Some bankers said the Bank of New England had been a prominent seller of assets in recent months in an attempt to preserve liquidity. It had $750m of outstanding medium-term debt, all in the US market. Already of "junk" quality, the bonds were further downgraded by the main credit rating agencies yesterday.

The bank's bonds fell to about 2 [illegible] on the dollar from about 7 cents. Bond traders said developments at the bank would hurt other bank bonds, particularly those of other New England banks. The collapse would reinforce perceptions of the weakness of banks' real estate portfolios in New England.

● Citibank *has* formed a construction and real estate company in the Philippines, capitalised at 50.2m pesos (US$2m), the Securities and Exchange Commission (SEC) said.

It has an authorised capital of 60m [illegible], equivalent [illegible] at [illegible] share. Of [illegible] represents the subscribed [illegible] paid-up portion of the new company's capital.

US insurer to set up unit in Paris

By William Pitt

AMERICAN International Group (AIG), [illegible] biggest insurer of industrial r[illegible]ks in the US, is extending its capital markets activities to continental *Europe with the creation of* Banque AIG in Paris.

AIG is currently very active as a market-maker for interest rate and currency swaps in both New York and London. More recently, and with no publicity, it has been laying plans to transact this business in Paris as well.

At the end of last October, AIG obtained formal authorisation from the Banque de France to set up a banking subsidiary in Paris. Earlier, it had been recruiting swaps specialists in the UK and the US.

AIG is unique among leading insurers in having exploited its AAA credit rating to develop a profitable niche in the swaps markets. Its speciality is long-dated transactions which the traditional banking markets are unwilling to contemplate.

In 1989, financial services, boosted by explosive growth in swaps [illegible]usiness, accounted for 9.2 per cent [illegible] pre-tax profits of $1.58bn.

Last year, the group sought to diminish its relative dependence on [illegible] business: it bought an aircraft leasing company for [illegible] and invested $140m in a foreign exchange and commodity-trading joint venture with three former Drexel Burnham Lambert executives.

Chase to close arm in Bahrain

CHASE Manhattan, the US banking group, plans to close its commercial banking operation in Bahrain. It said the closure is part of a rationalisation designed to cut $300m from the bank's worldwide expenses, AP-DJ reports from Manama.

Bank officials declined to comment in detail on the commercial bank closure or on the status of the bank's offshore banking unit (OBU) in Bahrain, which handles Chase's corporate and investment banking business throughout [illegible] Middle East.

Chase's statement simply said: "Bahrain will continue [illegible] act as Chase's regional headquarters through its offshore banking unit."

Chase has been building up its investment banking department in Bahrain recently, although many expatriate staff were relocated to London after Iraq's invasion of Kuwait in August.

The corporate finance division has taken a high-profile role in several of the large loans taken out in the past few years by regional institutions.

Chase is a financial adviser for a $1.4bn project to expand Bahrain's aluminium smelter. The bank has also organised loans for the governments of Oman and Qatar and for the regional airline Gulf Air.

Arab Banking downgraded

STANDARD & Poor's, the US credit ratings agency, yesterday downgraded Arab Banking Corporation's long-term debt and [illegible] deposit [illegible] from A- [illegible] short-term [illegible] of deposit [illegible] from A-2.

[illegible] the downgrade [illegible] reduced profitability, diminished liquidity [illegible] a [illegible] favourable banking environment in [illegible] middle [illegible] to the Iraqi invasion of Kuwait.

S&P also said loan quality in Arab Banking's London and New York branches is showing some deterioration which is likely to require provisioning.

The bank had been on S&P's credit watch with negative implications since August 13 last year, shortly after Iraqi forces entered Kuwait.

Malaysia to allow Kloffe to trade stock options

THE Malaysian government is to allow the proposed Kuala Lumpur Options and Financial Futures Exchange (Kloffe) to list stock options, Reuter reports from Kuala Lumpur.

However, primary industries minister Lim Keng Yaik said the government had yet to decide whether to allow either Kloffe or the Kuala Lumpur Commodity Exchange to trade in financial futures.

"There is no decision yet on the matter," he said, adding that talks were still underway with the relevant authorities.

A private consortium said last month it had won approval to start Kloffe to trade in options and financial futures. The move surprised officials of the KLCE and the Kuala Lumpur Stock Exchange who said they had similar plans.

Lim said his ministry, which oversees commodity futures trading, had no jurisdiction over financial futures trading, which comes under the finance ministry.

But he added that a recent International Monetary Fund study on the feasibility of introducing financial futures in Malaysia had recommended the KLCE should list such futures.

"We will be negotiating with the finance ministry on this matter," he said. Lim is shortly to meet finance minister Daim Zainuddin to discuss the matter.

CME to reduce clearing fees

By Barbara Durr in Chicago

CHICAGO Mercantile Exchange, in a move to help cut traders' costs, has approved a new set of reduced clearing fees that will decrease exchange revenues by up to $11m, or about 11 per cent of the CME's annual budget of some $100m.

The new clearing fee structure, which reduces members' fees from $0.25 to $0.07 for each side of a trade, came in response to discontent on the trading floor. Lower commissions, higher costs and decreased volume have been squeezing floor-trading profits.

One trader, Mr Douglas Bragan, has been lobbying hard for reduced clearing fees. Mr Bragan has proposed that fees be halved, and he won sufficient signatures to bring his proposal to a vote in a referendum, scheduled for January 24.

The CME board, however, met last Friday to approve its [illegible] structure and has, in [illegible]pted Mr Bragan's proposal. T[illegible] new fees favour [illegible] clearing members, while raising fees for certain others, such as those who lease seats.

Clearing fees for Exchange for Physicals (EFP) are rai[illegible] substantially from $0.25 to $1.20 [illegible] members, with increases across the board for all users. EFP trading in essence allows traders to exit from unwanted trading positions after normal trading.

As part of its cost cutting, the CME has frozen employee salaries and will reduce the staff by 52.

Trading in S&P 500 options up 93%

THE Chicago Board Options Exchange (CBOE), the world's largest options market, reports a 93 per cent increase in trading volume of Standard & Poor's 500 stock index options for 1990, writes Barbara Durr.

S&P 500 options are used mainly by institutional investors as a hedge. The jump came in the latter months of last year as fears mounted of recession and a war in the Gulf.

Trading volume for the S&P 100 stock index option, the exchange's most actively traded product, rose 18 per cent. But volume in equity options fell 22 per cent. This narrowed the CBOE's overall volume increase to 2.2 per cent.

The CBOE none the less held the largest share of the US exchange traded options market last year, accounting for 61.7 per cent compared with 55.8 per cent in 1989.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday January 7 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Jan 4 Index No.	Thu Jan 3 Index No.	Wed Jan 2 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (188)	705.45	-0.6	15.05	6.74	8.11	0.00	709.96	707.77	715.03	952.34
2	Building Materials (25)	966.29	-0.3	14.90	6.32	8.26	0.00	969.60	959.69	975.99	1169.06
3	Contracting, Construction (31)	1100.19	-1.0	16.73	7.15	7.77	0.00	1111.51	1117.59	1130.98	1606.27
4	Electricals (10)	1884.90	-1.0	14.91	7.08	8.20	0.00	1902.98	1874.01	1861.83	2705.79
5	Electronics (26)	1511.23	-0.6	10.60	5.69	12.58	0.00	1520.59	1508.26	1512.38	2024.49
6	Engineering-Aerospace (8)	396.05	-0.3	16.95	6.17	7.07	0.00	397.24	395.75	396.88	485.01
7	Engineering-General (47)	360.91	-0.5	16.19	7.10	7.45	0.00	362.72	362.30	364.09	500.95
8	Metals and Metal Forming (8)	398.25	-0.3	22.94	8.64	5.38	0.00	399.53	399.06	400.85	504.46
9	Motors (13)	284.06	-1.5	17.56	8.47	6.64	0.00	288.40	289.58	294.18	399.28
10	Other Industrial Materials (20)	1206.83	-0.7	13.93	6.73	8.30	0.00	1215.75	1218.92	1239.21	1759.81
21	CONSUMER GROUP (181)	1213.90	-0.4	10.11	4.30	12.28	0.00	1219.20	1214.21	1218.31	1348.69
22	Brewers and Distillers (22)	1579.32	-0.8	10.31	3.94	11.94	0.00	1591.30	1575.73	1578.67	1550.08
25	Food Manufacturing (20)	1033.49	-0.2	11.17	4.80	11.08	0.00	1035.62	1028.19	1030.91	1170.67
26	Food Retailing (16)	2285.98	-0.3	9.86	3.29	13.24	0.00	2293.39	2266.45	2259.53	2332.56
27	Health and Household (20)	2488.96	-0.3	7.24	3.07	16.38	0.00	2496.85	2518.70	2552.79	2753.07
29	Hotels and Leisure (22)	1187.71	-1.4	11.73	3.73	10.05	0.00	1204.52	1195.72	1204.21	1700.06
30	Media (25)	1212.80	-0.2	12.33	5.60	10.20	0.00	1215.65	1214.20	1219.04	0.00
31	Packaging & Paper (11)	517.40	+0.1	10.26	6.64	11.97	0.00	516.89	517.30	518.01	585.29
34	Stores (34)	779.37	-0.2	10.95	4.69	11.90	0.00	780.94	774.49	768.80	833.60
35	Textiles (11)	405.73	-0.1	14.31	8.66	8.97	0.00	406.15	404.10	407.46	550.13
40	OTHER GROUPS (111)	987.71	-1.0	12.97	6.05	9.32	0.00	997.35	990.20	992.11	1222.22
41	Business Services (12)	996.35	-0.6	12.57	5.41	9.47	0.00	1001.87	999.40	998.51	0.00
42	Chemicals (22)	1038.06	+0.1	13.57	6.82	8.70	0.00	1036.70	1024.13	1027.58	1286.93
43	Conglomerates (11)	1230.94	-0.7	14.04	8.28	8.46	0.00	1239.12	1232.99	1246.86	1694.90
44	Transport (15)	1867.33	-1.1	13.88	5.45	8.90	0.00	1887.62	1875.33	1892.54	2407.81
45	Electricity (12)	994.96	-0.6	12.39	7.07	9.74	0.00	1000.79	997.70	1001.17	0.00
46	Telephone Networks(3)	1120.69	-2.0	11.94	4.51	10.90	0.00	1143.55	1134.19	1128.40	1252.73
47	Water(10)	2193.18	.....	14.28	6.39	7.90	0.00	2192.83	2184.42	2183.91	1973.99
48	Miscellaneous (26)	1547.48	-1.2	12.32	5.90	9.44	0.00	1566.10	1552.91	1554.12	1979.25
49	INDUSTRIAL GROUP (480)	1019.89	-0.6	12.03	5.35	10.18	0.00	1026.49	1021.52	1025.98	1226.16
51	Oil & Gas (20)	2267.04	+0.8	9.87	5.63	13.23	0.00	2249.48	2271.99	2309.09	2414.34
59	500 SHARE INDEX (500)	1122.50	-0.4	11.71	5.39	10.54	0.00	1127.40	1124.39	1131.29	1325.87
61	FINANCIAL GROUP (98)	697.84	-1.2	–	6.82	–	0.00	706.06	700.55	700.13	864.19
62	Banks (9)	739.17	-2.0	21.78	7.83	6.01	0.00	754.40	743.56	743.69	893.15
65	Insurance (Life) (7)	1259.94	+0.8	–	6.09	–	0.00	1250.45	1239.24	1258.82	1467.72
66	Insurance (Composite) (6)	601.95	-1.2	–	7.10	–	0.00	609.52	602.65	591.02	734.03
67	Insurance (Brokers) (8)	993.19	-0.1	7.46	6.51	17.57	0.00	994.30	996.79	1005.21	1182.43
68	Merchant Banks (7)	352.16	-0.2	5.53	5.83	24.10	0.00	352.90	352.80	353.48	501.45
69	Property (41)	943.51	-1.3	7.21	5.00	18.84	0.00	956.14	959.85	960.22	1238.96
70	Other Financial (20)	250.14	.....	10.91	7.23	11.57	0.00	250.19	251.10	252.45	349.33
71	Investment Trusts (69)	980.46	-0.7	–	4.15	–	0.00	987.68	986.61	994.64	1316.12
99	ALL-SHARE INDEX (667)	1017.62	-0.5	–	5.56	–	0.00	1023.21	1019.78	1025.13	1215.80

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 4	Jan 3	Jan 2	Dec 31	Dec 28	Year ago
FT-SE 100 SHARE INDEX‡	2113.3	-12.8	2130.0	2109.9	2126.1	2117.8	2128.3	2143.5	2160.4	2431.3

FIXED INTEREST

	PRICE INDICES	Mon Jan 7	Day's change %	Fri Jan 4	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	119.19	+0.08	119.09	1.82	0.00
2	5-15 years (32)	128.52	+0.16	128.32	2.48	0.00
3	Over 15 years (8)	135.65	+0.19	135.40	2.18	0.00
4	Irredeemables (6)	148.74	+0.27	148.34	1.52	0.00
5	All stocks (74)	127.80	+0.14	127[illegible]	2.24	0.00
	Index-Linked					
6	Up to 5 years (2)	157[illegible]	+0.15	157[illegible]	0.78	0.00
7	Over 5 years (10)	144.51	-0.04	144.57	0.79	0.00
8	All stocks (12)	145.36	-0.03	145.40	0.79	0.00
9	Debs & Loans (54)	104.27	+0.03	104.23	2.20	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 7	Fri Jan 4	Year ago (approx.)
	British Government				
1	Low	5 years	10.03	10.05	10.27
2	Coupons	15 years	10.04	10.06	9.74
3	(0%-7¾%)	25 years	10.05	10.06	9.69
4	Medium	5 years	10.89	10.92	11.18
5	Coupons	15 years	10.43	10.45	10.17
6	(8%-10¾%)	25 years	10.25	10.27	9.82
7	High	5 years	11.01	11.04	11.34
8	Coupons	15 years	10.61	10.63	10.36
9	(11%-)	25 years	10.40	10.42	9.95
10	Irredeemables	†	10.29	10.32	9.74
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.06	4.13	3.91
12	Inflation rate 5%	Over 5 yrs.	4.15	4.15	3.63
13	Inflation rate 10%	Up to 5yrs.	2.77	2.83	3.05
14	Inflation rate 10%	Over 5 yrs.	3.98	3.97	3.47
15	Debs &	5 years	12.63	12.63	13.72
16	Loans	15 years	12.37	12.38	12.46
17		25 years	12.13	12.14	12.11

‡Opening index 2126.3; 9 am 2124.1; 10 am 2129.2; 11 am 2129.0; Noon 2123.6; 1 pm 2120.6; 2 pm 2117.0; 2.30 pm 2110.6; 3 pm 2111.3; 4.10 pm 2114.1; (a) 9.28am (b) 2.37pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. QUARTERLY VALUATION: see page 7. [illegible] CHANGE: Fisher (A) to Albert Fisher (26).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	10	20
Corporations, Dominion and Foreign Bonds	5	0	16
Industrials	183	400	982
Financial and Properties	85	268	393
Oils	26	21	46
Plantations	0	0	10
Mines	63	20	80
Others	77	41	48
Totals	495	760	1,595

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or-
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or-
[illegible]							

TRADITIONAL OPTIONS

■ First Dealings Jan. 7
■ Last Dealings Jan. 18
● [illegible] April 11
● For settlement April 22

For rate indications see end of London Share [illegible]

[illegible] in Aviva [illegible] Tusker [illegible] and Whitegate [illegible] *Put in* Thames TV. Put and call in Meekatharra.

LONDON TRADED OPTIONS

THE FUTURES and options markets drifted [illegible] yesterday as uncertainty about the prospect [illegible] war in the [illegible] on the sidelines.

The belief that war is the most [illegible] Gulf [illegible] depressed the [illegible] market. This was reflected in the [illegible] March FT-SE 100 index contract to the cash market; [illegible] narrowed [illegible] to [illegible] 30 points.

As most [illegible] and other large players in [illegible] already hedged [illegible] portfolios, [illegible] use [illegible] been [illegible] to judge [illegible] the equity market will trade any [illegible]

The view of many traders was that, with [illegible] have further to [illegible] Mr Harvey Neale, [illegible] UBS Phillips [illegible] "The [illegible] getting [illegible], but no one [illegible] commit themselves."

[illegible] Neale said [illegible] if war [illegible] out the market [illegible] fall around 50 points, [illegible] at that stage [illegible] would start buying, [illegible] support prices at the [illegible] levels.

March FT-SE closed at 2,146, down [illegible] points on the day. March's premium [illegible] the [illegible] market finished at 32 points, against [illegible] fair [illegible] 36.

In the traded options market, some technical problems with the Seaq system kept turnover to a minimum. A total of 19,850 contracts changed hands, compared [illegible] 24,483.

Dealing was concentrated in the FT-SE contracts with the February 2,025 puts the most popular. *In the stock options, only* Rolls-Royce traded more than 1,000 contracts, equivalent to 1m shares. The March 240 puts were the most active as 1,076 changed hands.

[illegible] stocks included Grand [illegible] contracts), with the April 650 calls the most [illegible]. British Gas (795) was *boosted by* [illegible] trading. In United Biscuits [illegible] Mr In [illegible] Beecham [illegible] was [illegible] by [illegible] buyer of January [illegible] calls.

Option		Calls			Puts		
[illegible]							

UK COMPANY NEWS

Polly Peck sales planned to overcome cash crisis

By Richard Waters

THE administrators of Polly Peck International, the insolvent fresh fruit to electronics [illegible] plan to dispose of a number of the group's peripheral businesses in the coming [illegible] in an attempt to overcome a gathering [illegible] crisis.

Mr Michael Jordan, in charge of the administration, is to fly to the US today to discuss the [illegible] of Polly [illegible] food interests there, though this does not include its Del Monte Tropical fresh fruit business.

He also said yesterday that the disposal of Russell Hobbs Tower, the UK manufacturer of [illegible] appliances, [illegible] "at an [illegible] stage."

The sales are to raise cash to meet pressing working capital [illegible] in some parts of the Polly Peck group. The electronics businesses, thought to be under greatest pressure, [illegible] expected by the administrators to need £20m-£30m of new cash [illegible] month.

Mr Jordan said, though, that there was no immediate threat of parts of the group being forced into liquidation through a [illegible] of cash. "I certainly haven't changed my mind yet about the possibility of achieving a reconstruction here," he said.

The danger for the group's various operating arms is that, the longer it takes to achieve a reconstruction, the greater their demand will [illegible] for [illegible] working capital.

The process has been stalled by [illegible] continuing refusal of [illegible] of Polly [illegible] subsidiaries in northern Cyprus to give [illegible] information [illegible] administrators. This is in spite of the lifting on the island last month of [illegible] injunction [illegible] had provided a legal obstacle to the administrators gaining access.

Mr Jordan will this evening fly [illegible] northern Cyprus [illegible] New York in a further attempt to persuade [illegible] directors [illegible] open the subsidiaries' books to the administrators.

The cash position of Polly Peck's operating units would be assured if the administrators [illegible] lay [illegible] on [illegible] which [illegible] said to be on deposit in northern Cyprus.

Broker provides for Nadir deals

BANQUE INDOSUEZ, [illegible] French merchant bank, has had [illegible] up [illegible] of extra capital into Carr Kitcat & Aitken, its UK broking arm, to satisfy regulators that it can withstand potential losses from Mr Asil Nadir, chairman of Polly Peck International, writes Richard Waters.

The broker has provided against its entire [illegible] to Mr Nadir in the 1990 accounts, according to Mr Guy de Froment, its chairman.

This was [illegible] satisfy capital adequacy requirements of The [illegible] Association, the regulatory body, he said.

Mr [illegible] Froment's comments signalled the first admission by [illegible] involvement with Mr Nadir, though [illegible] widely known that [illegible] broker bought [illegible] million Polly Peck shares on Mr [illegible] behalf last autumn.

Carr refused to [illegible] the exact amount owed, but said it [illegible] £13m and £20m.

The subsequent collapse of Polly Peck, and failure of Mr Nadir to pay for the share purchases, [illegible] Carr, along [illegible] other broking firms, holding worthless Polly Peck shares as collateral.

In spite of the full provision, Carr [illegible] written off [illegible] money owed by Nadir and still [illegible] to [illegible] for [illegible], said Mr de Froment.

Carr, along with Lehman Brothers International (owed £18.5m) and Merrill Lynch (thought [illegible] £5m and £10m), [illegible] supported a bankruptcy petition [illegible] Mr [illegible] which [illegible] brought [illegible] by BZW (which is owed £3.5m).

The bankruptcy hearing is to resume next Tuesday, amid signs that little headway has been made since the last High [illegible] in early [illegible]ber.

[illegible] Mr [illegible] indicated through his lawyers [illegible] he would [illegible] charges over his assets in Turkey, northern Cyprus and elsewhere [illegible] the money [illegible].

Since then Mr [illegible] been [illegible] charged with [illegible] accounting [illegible] Polly [illegible] spent [illegible] days in custody [illegible] of £3.5m [illegible] arranged.

NatWest may move further into US

By David Lascelles, Banking Editor

NATWEST, the UK clearing bank, is considering bidding for US banking business which is being auctioned by the Resolution Trust Corp, the government [illegible] handling [illegible] savings and loan bail-out.

Mr John Tugwell, the chief [illegible] of [illegible] operations who was in New York last week, said the bank was [illegible] in New Jersey and New [illegible] where its NatWest Bancorp subsidiary has branches.

The business on offer consists of deposits, branches and [illegible] which are packaged together and offered at auction by [illegible] RTC. [illegible] wishing to buy them make sealed bids.

NatWest stressed that the auctions were only one of several means currently being considered to expand its US business.

The auctions would be a way of filling in the gaps in its present branch network, he said. [illegible] Bancorp [illegible] been hard hit by the downturn in the US property market. In the first nine months of last [illegible] it had to make provisions of $305m, resulting in a net loss of $126.5m. In the current climate, NatWest is not expected to make any aggressive expansion in the US.

Maxwell bemuses stock market

By Alice Rawsthorn

MR ROBERT Maxwell, the ebullient chairman of Maxwell Communication Corporation, yesterday bemused the [illegible] market by announcing the sale of a European put option of up to 30m MCC shares.

The option has been sold by Bis[illegible] Investment Trust, a nominee company acting on behalf of Mr Maxwell's corpo[illegible] interests, to an unidentified buyer.

The option, which involves up to 4.6 per cent of MCC's equity, has been sold at a striking price of 152p to expire on February [illegible].

If the option is exercised the proportion of MCC shares held by Mr Maxwell, his family and the Maxwell Foundation will increase from 64 to about 69 per cent. MCC's shares were stable at 150p yesterday.

This is [illegible] second time in [illegible] months [illegible] a sizeable put option in MCC has been [illegible]. An option on 15.65m shares, bought in August, was exercised on November 30.

[illegible] confirmed that the [illegible] option had been bought by a market maker but did [illegible] the identity of [illegible] buyer or the price at which the option [illegible] exercised. Goldman Sachs was believed to be the buyer and the price [illegible] thought to be 185p.

In August, when the option was sold, MCC's [illegible] trading at about 170p. [illegible] then fell in September and early October reaching a low of 134p. The shares rose to 155p by November 30, the day on [illegible] the option was exercised. MCC [illegible] its interim results on November 28 and for the "closed period" of two months before that Mr Maxwell would have been unable to buy MCC shares.

City speculation yesterday centred on the identity of the buyer of the new 30m share option and on its likely effect on MCC's share price.

MCC is [illegible] sell [illegible] to reduce its long term [illegible] from £1.7bn to [illegible] by the year-end of March 31. [illegible] senior debt was recently downgraded to a rating indicating "a possibility of investment risk developing" by IBCA, the London credit rating agency.

Focusing on a challenging future

Richard Gourlay on Leica's reorganisation and forward planning

IN 1990, when interest in [illegible] Unlisted S[illegible]ties Market faded as quickly as the fortunes of some of its constituents, one [illegible] out like a six-foot tall 12-year old in [illegible] playground.

Leica, [illegible] annual sales of £500m and a market capitalisation [illegible] £110m, by all rights should not have been there.

Nor did the ownership of 81 per cent of the shares by one [illegible] businessman Mr Stephan Schmidheiny, suggest it would have much of a future as a publicly quoted company.

But in spite of this unorthodox pedigree the optical instruments group that includes the famous Leica camera is trying to mount a challenge to such Japanese giants [illegible] Olympus [illegible] Germany's Zeiss.

If Leica's reorganisation is successful this year, it could lead to a truly European company, at least in terms of its capital [illegible] – [illegible]mission to London's main market and a secondary listing in Frankfurt and/or Zurich – [illegible] on expanded [illegible] in Japan and the US.

If its plans are not fulfilled – and stagnation in the US, one of the its main markets, may be the decisive factor – [illegible] anomaly [illegible] a significant UK quoted [illegible] controlled by one [illegible] the world's [illegible] men [illegible] the pastures of Switzerland.

Leica came to the USM last April after Wild Leitz, the St Gallen-based optics [illegible], merged with Cambridge Instruments, [illegible] high-tech group that was led out of [illegible] Enterprise Board by Mr Terence Gooding. Under Mr Schmidheiny's chairmanship, Leica [illegible] bought out [illegible] Gooding, started [illegible] rationalise [illegible] microscope product line, begun to expand in Asia and made clear that Mr Schmidheiny wants to reduce his stake considerably – at the right price.

Stephan Schmidheiny – would welcome a reduced stake at the right price

Taking major, but non-controlling interests, has been the Schmidheiny way. The Zurich-[illegible] with his [illegible] believed to preside over a £2.3bn empire, has large but non-controlling interests in ABB Asea Brown Bov[illegible] SMH, the maker of Omega, Swatch and Tissot watches, and sits on the boards of [illegible] Union [illegible] Suisses, Switzerland's largest bank.

However, reducing [illegible] Schmidheiny [illegible] below [illegible] per cent [illegible] the "right" [illegible] price [illegible] prove [illegible] be a long-term uphill struggle.

Mr Schmidheiny bought [illegible] in Wild Leitz [illegible] his brother, Thomas, and discov[illegible] incurring heavy [illegible] was appointed as chief executive to [illegible] Leitz, and [illegible] with Mr Gooding on a possible merger with Cambridge began almost immediately.

Cambridge, for its part, had won the dubious distinction of being one of the worst performing issues after its flotation in early 1987. Its share price slumped from 140p to 40p following the stock market crash when the company found itself in the semi-conductor market at the wrong time.

Mr Gooding had gained a reputation in the City of not "bedding down" one acquisition before moving on to another – the purchase of parts of Bausch and Lomb for $37mm shortly after the 1986 acquisition of Reichert Instruments being a case in point.

The merger of Cambridge and Wild Leitz gave Unotec, a private Swiss company controlled by Mr Schmidheiny, 53 per cent of the company. However, Unotec also offered Cambridge shareholders 70p per share, 12p above the level at which the company was suspended in July 1988 after the merger was announced.

Then last September, Mr Schmidheiny took his stake in [illegible] to 81.6 per cent following his purchase of Mr [illegible] 10.5 per cent family interest. Mr Rauh says that there is no pressure from Mr Schmidheiny for a divestment, although there have recently been some so far unsuccessful moves to spread some of the Schmidheiny stake into other hands. [illegible] the price [illegible] 100p – compared [illegible] a closing price yesterday of 50p – Mr Schmidheiny will sell, he says.

Leica [illegible] therefore a long-term play that is dependent on the rationalisation that began soon after the merger.

It has already merged eight companies in eight countries, bought out dealers and opened four new subsidiaries in Japan, South Korea, Spain and Finland at a cost of £25m.

It also started to streamline product lines. The merger gave Wild Leitz access to a wider range of optical microscopes where it was already strong in medium powered equipment, but lacked Cambridge's spread of technology ranging from school-type bench microscopes to high resolution scanning electron microscopes.

Mr Rauh says the microscope product line, where margins are already slim, needs substantial rationalisation with the loss of number of models.

Thirdly, it sold some parts of the Cambridge businesses – IMT, a metrology company in Germany to Brown and Sharp, and Wild Leitz Canada, a defence business, to Hughes of the US.

As a result Leica's net debt rose, leading to an £8.2m interest charge in the half-year to September, and gearing remained above 100 per cent. The charge pushed Leica into the red with a pre-tax loss to end-September, its first reporting period, of £859,000 from sales of £251m.

Debt in 1991 will fall but continuing rationalisation costs will keep [illegible] above 75 per cent, according to Mr Rauh.

Since the merger, Leica has also pushed further into the Asian market, through its offices in Korea and Japan and a new plant in Singapore to take advantage of low labour costs and proximity to the Japanese market.

However, plans to build a new facility in Buffalo, New York, to supply microscopes to the US market have been temporarily shelved because of the state of the market there.

It is perhaps in the US, which accounts for 26 per cent of group sales, where the weakness in Leica's rationalisation lies.

As for many companies, the chances of Mr Rauh reaching his target of a secondary listing in at least one European centre within two years and a more balanced shareholder structure, depends on the fortunes of the US market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are [illegible] mainly on last year's timetables.

TODAY

Interims- Bucknall Austin, East Midlands Electricity, Goode Durrant, Jarys Hotel, Refuge Security.

Finals- M & W, Trust.

FUTURE DATES

Interims-

Aerospace Engineering	Feb. 1
Anglia Television	Jan. 17
Fletcher King	Jan. 14
London Electricity	Jan. 14
Peel Holdings	Jan. 17
Reject Shop	Jan. 22
South Wales Electricity	Jan. 9
South [illegible]	Jan. 10
Vardy (Reg)	Jan. 14
Finals-	
Cityvision	[illegible] 27
Eurotherm Intl	[illegible] 15
Henderson Highland Trust	[illegible] 28
Kunick	[illegible] 15
London & Clydeside	[illegible] 16
Lookers	[illegible] 17

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Barr (AG)	fin	12.35	Apr 8	9.75	15.6	15
Carclo Eng	int	1.71	Mar 1	1.55	-	7.1
Cooper Clarke §	int	0.5	Apr 5	1.5	-	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

UK COMPANY NEWS

Operating profits lower and further deterioration in second half

Carclo ahead on interest turnround

By Clare Pearson

A TURNROUND in its net interest position enabled Carclo Engineering Group, the diversified engineering concern, to lift pre-tax profits from £3.96m to £4.31m in the half-year to end-September.

But profits at the operating level fell from £4.79m to £4m and the company said there had been a further deterioration in trading conditions since the end of the interim period.

Profit margins were squeezed across the company's business which cover card clothing, wires, general engineering and distribution.

Mr John Ewart, chairman, said Carclo was engaged in a "rigorous review of all our costs" in the light of continuing unfavourable economic conditions.

The move from net interest payable of £832,000 to receivable of £303,000 [redacted] attributable [redacted] the [redacted] last [redacted] of the springs and forgings part [redacted] its Woodhead division. Additionally, Carclo received £9,000 in dividends from trade investments during the period.

Earnings per share [redacted] 7.3p (6.6p). The interim dividend [redacted] lifted by 10 per cent to 1.71p (1.55p).

RSR, another part [redacted] head which distributes springs for commercial vehicles, [redacted] been earmarked for disposal since [redacted] summer but Carclo said yesterday a buyer prepared [redacted] pay a suitable price for it had [redacted] been found.

This business, which had [redacted] into [redacted] in the comparable period, incurred an operating deficit 25 per cent higher at £146,000 [redacted] 17 per cent lower at [redacted]

Card clothing made [redacted] (£1.72m) on [redacted] (£8.51m); [redacted] wire division [redacted] £1.09m (£1.21m) on £13.27m (£13.05m) turnover, and general engineering £1.25m (£1.34m) [redacted] sales [redacted] (£10.58m).

Net [redacted] amounted to [redacted] the end [redacted] September while during the six months shareholders' [redacted] improved by [redacted] per [redacted] to [redacted] "When the [redacted] of the cycle [redacted] we will [redacted] to try [redacted] our [redacted] acquire [redacted] niche engineering businesses," [redacted] Ewart.

He said since [redacted] period-end the company's trade [redacted] in Arthur [redacted] Sons, [redacted] engineering [redacted] pany which [redacted] and supplier [redacted] Carclo's, had [redacted] about 7.5 per [redacted] GM Firth, [redacted] stockholding [redacted] also [redacted] a large [redacted] in Lee.

● COMMENT

If the biggest concern about small companies is the state of their balance sheets, Carclo clearly shines by comparison at the moment, particularly if one assumes that, as seems likely, the 10 per cent dividend increase at the interim stage is repeated for the full-year. On the trading side, the company clearly indicated that conditions had worsened since the end of the half-year; this might push 12 months' pre-tax profits down to about £8m, against last year's £8.83m. On these bases the shares are trading on a prospective p/e of a little [redacted] than 9, which is not [redacted] demanding. At this stage of [redacted] cycle, though, it is not likely to catch many people's imagination. [redacted] question [redacted] the company may do with its significant cash pile should provide interest further out.

All-round decline at Cooper Clarke

COOPER CLARKE, the USM-quoted distributor of building products, suffered from the downturn in [redacted] tors of its trade, and saw pre-tax profit decline significantly from £598,000 to £235,000 for the six months to October 28 1990.

Earnings were down to 1.96p (6.68p) and the interim dividend is cut from 1.5p to 0.5p. The second half would continue to be difficult, said Mr Robert Ashby, chairman.

Turnover at £11.81m [redacted] held up well in a severely reducing market, he stated. Margins, too, were largely maintained but pressure on overheads hit the overall results.

In addition, bad debts were up from £15,000 to £120,000 – "this is an area which we will continue to monitor most carefully" he added.

In view of the current climate activities had been reviewed, resulting in the closure of the Leeds depot, close monitoring of overheads, and the seeking of cost reductions.

Computer groups may merge

By David Owen

FERRARI HOLDINGS and Touchstone, [redacted] computer [redacted] vices [redacted] which [redacted] both reported interim [redacted] in [redacted] months, [redacted] embarked on preliminary [redacted] which [redacted] tion [redacted]

The move [redacted] tive from [redacted] Whitaker, [redacted] Singer [redacted] trolled merchant [redacted]

Singer & Friedlander [redacted] per [redacted] of [redacted] nary [redacted]

[redacted] yesterday [redacted] companies, which [redacted] mainly in [redacted] were "equally [redacted] quite freely" [redacted] similar problems.

"Both [redacted] and Fer[redacted] commer[redacted] activities," Ferrari [redacted]

Any [redacted] "will only [redacted] formulated after [redacted] investigations."

In November, USM-quoted Ferrari reported an interim pre-tax [redacted] on turn[redacted] as it [redacted] mar[redacted] acquisi[redacted] policy.

Mr [redacted] Marshall, chair[redacted] did not expect the [redacted] a profit in [redacted] full [redacted] Mr Marshall, [redacted] deputy [redacted] executive, took over [redacted] July.

Touchstone's [redacted] reported in October, [redacted] on [redacted] of [redacted]

The group, [redacted] guise [redacted] MBS was IBM's largest [redacted] distributor [redacted] personal computers, was also [redacted] by falling margins. Mr Owen Williams, chairman, expected further [redacted] in the second half.

This is the second time in [redacted] more than a year that the [redacted] involved in possible merger discussions.

In November 1989, talks broke down after [redacted] difference of opinion on financial disclosure.

COMPANY NEWS IN BRIEF

GLEESON has declared its cash offer for Colroy unconditional. Gleeson speaks for 96.6 per cent of the capital.

HADLEIGH INDUSTRIES has acquired the business of Truckline from Dana Holdings for £904,000 cash. Truckline operates as a truck and trailer [redacted] locations; annual [redacted] £40m.

OSSORY ESTATES has contracted to sell retail investments of £6.6m, including the Three Horseshoes Mall, Warminster, and Whitefield Shopping Centre, Manchester.

COMMODITIES AND AGRICULTURE

Botswana plays hard to get [redacted] diamond sales deal

By Kenneth Gooding, Mining Correspondent

CSO diamond sales (US$bn)	
1990	4.17
1989	[redacted]
1988	4.17
1987	3.07
1986	[redacted]
1985	[redacted]
1984	1.61
1983	1.60
1982	1.26
1981	1.47

DE BEERS, the South African mining group which controls 80 per cent of world trade in rough (uncut) diamonds through [redacted] London-based Central Selling Organisation, has so [redacted] failed to [redacted] its contract with Botswana, the most important diamond producer in value terms. The con[redacted] ended on [redacted].

The [redacted] admitted the [redacted]line had passed after reporting yesterday that its diamond sales last year were only 2 per cent ahead of the 1989 level in US dollar terms – at $4.167bn compared with $4.086bn.

This was in line with many analysts' expectations. The CSO said the results confirmed its earlier forecasts, "which anticipated a year of consolidation with overall sales being about the same as in 1989."

Responding to market conditions, the CSO last [redacted] made [redacted] relatively modest price increase in March – 5.5 per cent – and has recently been reducing its supply of rough diamonds to the market.

The CSO played down the possible implica[redacted] of its failure to sign [redacted] new contract with [redacted] which some analysts [redacted] provides [redacted] half the value of De Beers' total diamond [redacted] more than half its profits. It insisted relations with Botswana remained good and [redacted] that country was still selling [redacted] to the CSO. It [redacted] not the [redacted] time that [redacted] negotiations had gone [redacted] past [redacted] theoretical deadline, said [redacted].

However, [redacted] parliamentarians [redacted] pressing [redacted] country [redacted] right to [redacted] proportion [redacted] diamond output – 20 per [redacted] frequently suggested – outside the CSO arrangements. The CSO has implacably opposed this [redacted] which [redacted] "is [redacted] appropriate in [redacted] our [redacted] with Botswana."

In spite [redacted] this, relationships between [redacted] and the [redacted] been [redacted] since [redacted] when that country sold its diamond [redacted] De Beers in [redacted] for [redacted] cash and [redacted] per cent shareholding in the South African [redacted]pany and it has two represen[redacted] on [redacted] De Beers' board.

Apart from [redacted] own diamond output and that from Botswana, De Beers also markets rough diamonds from Namibia, Tanzania and Zaire. Negotia[redacted] with Argyle Diamonds, the [redacted] producer [redacted] contract with [redacted] CSO [redacted] in April, are continuing.

In the past year [redacted] strengthened [redacted] grip [redacted] the rough diamond trade by signing [redacted] formal marketing [redacted]ment with [redacted] Union and is [redacted] sell [redacted] produced by Endiama, [redacted] Angolan [redacted] company.

The CSO said uncertainty about the world [redacted] because of [redacted] Gulf crisis [redacted] impossible [redacted] give [redacted] reason[redacted] about diamond [redacted] in [redacted]. But [redacted] among diamond [redacted] positive and, although sales [redacted] important Christmas period had [redacted] patchy, early [redacted] suggested [redacted] slightly better than expected.

Silver price 'to fall further'

By Kenneth Gooding

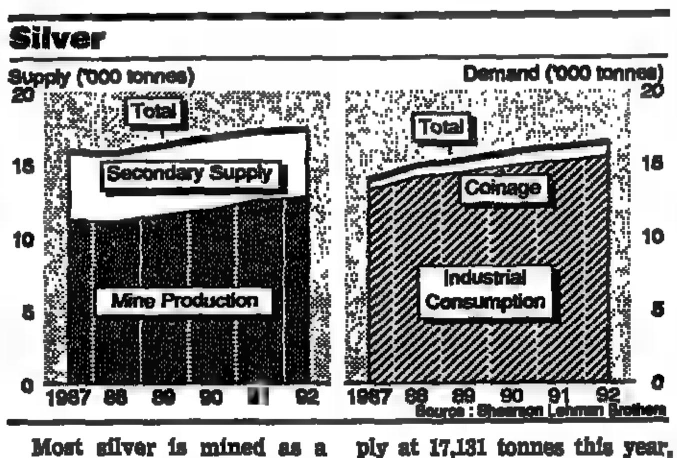
SILVER PRICES, which started 1991 at their lowest level for 19 years, are likely to drift even lower in the first half of this [redacted] showing [redacted] recovery, [redacted] Shearson Lehman Brothers financial [redacted]vices group in its annual review of the silver industry. But it warns that the potential for [redacted] longer-term, sustained increase in prices "must be virtually non-existent."

Ms Rhona O'Connell, Shearson's precious metals analyst, suggests that for most of 1991 silver will trade in a range between US$3.75 and $4.50 a troy ounce.

However, [redacted] speculative [redacted] of [redacted] means that price "spikes" in either direction are likely. Taking this into account, a realistic range for the year is $3.50 to $5 an ounce.

The average price for this year is forecast to be about $4.10 an ounce, roughly 15 per cent below the average of $4.80 for 1990 and closer to 20 per cent below in real terms.

Ms O'Connell says that "the fundamental forces in the market continue to look depressing." There is about 20 years' supply of silver in stock above ground and the market continues to generate a surplus of supply year after year, even though industrial consumption is as strong as it ever was.



Most silver is mined as a by-product of other metals and "it could be argued that worldwide silver production costs are near to zero," Ms O'Connell points out.

However, prices persistently close to $4 an ounce are causing primary silver mines considerable pain and some rationalisation, particularly in the US, is a possibility, she suggests.

She forecasts that mined supplies of silver will reach 12,531 tonnes this year, compared with 11,870 tonnes in 1990. However, a slight fall in secondary (scrap) supplies – predicted to slip from 4,935 tonnes in 1990 to 4,600 tonnes this year – will hold total supply at 17,131 tonnes this year, up from 16,805 tonnes.

Consumption, meanwhile, [redacted] mainly by [redacted] from the photographic industry which already accounts for 40 per cent of silver [redacted] is predicted to rise from 15,716 tonnes in 1990 [redacted] 15,962 tonnes this year.

Ms O'Connell sees total silver supplies at 17,345 tonnes in 1992 and demand at 16,379 tonnes. Silver prices are forecast to average $4.40 an ounce in the first half of 1992 and $4.60 in the second six months.

"World Silver Industry: 1990" £500 or US$1,000 from Shearson Lehman Brothers, One Broadgate, London EC2M 7HA, England.

Marketing effort urged for organic produce

By David Blackwell

THE ORGANIC farming industry must adopt [redacted] market-oriented approach unless it is [redacted] become merely a sect, a conference on organic production was warned [redacted] weekend.

From an environmental perspective "that would [redacted] terrible direction to go," Mr Jonathon Porritt, special adviser to Friends [redacted] the Earth, told the seventh national conference of British Organic Farmers and the Organic Growers Association [redacted] the Royal Agricultural College, Cirencester.

UK demand for organic food [redacted] outstripping supply, and was [redacted] being [redacted] by domestic suppliers, Mr Porritt [redacted]. The industry [redacted] suffering from hopelessly inefficient distribution and the lack of a proper marketing system.

[redacted] the [redacted] time he [redacted] the government of still seeing organic farming as catering for [redacted] market. [redacted] it should be giving infrastruc[redacted] support [redacted] farm[redacted] to [redacted] change [redacted] organic production. [redacted] alone could not [redacted] food production and land stewardship, he [redacted].

[redacted] Trumpington, [redacted] junior agriculture minister, said [redacted] organic farming was, with [redacted] exceptions, able [redacted] receive the [redacted] aid as con[redacted] agriculture. "[redacted] support the organic sector, we do want our consumers to [redacted] buy organic produce, we [redacted] want our farm[redacted] to supply as much as [redacted] can [redacted] small but growing market," she told the conference.

[redacted] said that funding for [redacted] and development in organic production would [redacted] lifted to £500,000 [redacted] year.

"The help given [redacted] the organic [redacted], when [redacted] to [redacted] size of the sector, compare well with the support given to other much larger sectors in the agriculture industry."

Mr Patrick Holden, director [redacted] British Organic Farmers and the [redacted], said her words showed the government did not believe the organic sector would take off. The association had failed to convince the government [redacted] political case for reducing damage to the countryside by [redacted] to organic farming.

Two per cent of consumers were committed to buying organically produced food, he said. But between 13 and 15 per cent were potentially committed. "If we could produce at a little lower [redacted] that [redacted] tremendous market." He called for further research and development support. In the meantime, imports would continue [redacted] flood in, he warned.

The cultivation of confidence

Times are hard, but most British farmers have not given up hope

FARMER'S VIEWPOINT

By David Richardson

PERHAPS THE most significant thing about last week's 45th Oxford farming conference was the complete absence [redacted] demands for the maintenance [redacted] farm subsidies. The Oxford audience [redacted] mainly composed [redacted] Britain's more forward-thinking farm[redacted] however, and so is not [redacted]essarily representative [redacted] the industry [redacted] a whole.

Be that as it may, Mr Bryce Harland, [redacted] commissioner in London, who [redacted] in the hall throughout [redacted] and who, on behalf of the Cairns Group [redacted] oriented food exporting countries, had urged the pre-confer[redacted] dinner to accept [redacted] need for an agreement on [redacted]fessed himself surprised and delighted [redacted] what he [redacted] the enlightened [redacted] of the event.

That [redacted] that [redacted] present [redacted] prepared [redacted] accept the aggressive demands being [redacted] the [redacted] in [redacted] negotiations. Indeed [redacted] calls [redacted] the [redacted] stop throwing [redacted] weight around and [redacted] – notably [redacted] Mr Harland himself.

[redacted] did [redacted] they could [redacted] to farm in the imme[redacted] future with the same enterprises, the same [redacted] overheads, [redacted] labour [redacted] so on [redacted] they [redacted] maintained in the past. Margins have fallen and it was accepted that they would fall further and that changes were necessary to accommodate the circumstances of the early 1990s – changes that will add to those already made by many in the late 1980s.

There can be no doubt that market forces, or what has passed for them, have in recent years forced many UK farmers to review their business strategies. A reduction of 50 per cent in the real value of UK farm incomes over the past decade has led to severe reductions in capital expenditure and to the shedding of labour.

According to Mr Tony Gould, of the Transport and General Workers' Union farm workers section, 50,000 workers left the land in the 1980s. Less than 100,000 workers remained on UK farms a year ago, he told the conference, and it has been estimated elsewhere that there was a further decline of 4,000 last year.

Meanwhile the numbers of "full-time farmers", a crude government estimate based on the assumed financial potential of the holding, continued to fall by a similar rate to about 140,000 a year ago, and it has been estimated that 6,000 individual UK farmers went out of business in 1990.

Mr John Nix of Wye College in Kent, the doyen of agricultural economists, told the conference that he believed a further [redacted] per cent [redacted] would [redacted] well [redacted] out [redacted], while they had something [redacted] sell. [redacted] remaining 80 [redacted], he believed, were soundly financed and efficient enough [redacted] survive the current [redacted]sion [redacted] would benefit from the upturn in fortunes when it came.

Just when that might happen was the subject of much debate. And Mr David Curry MP, parliamentary secretary at the Ministry of Agriculture, did little to clarify the situation.

His paper to the conference included a wide range of ideas for future farm policies, which he claimed "neither is nor isn't government policy." [redacted] possibility of more encouragement for farmers [redacted] put [redacted] into [redacted] scheme and he discussed [redacted] from some quarters to make it compulsory. He wondered if extensification, in other words [redacted] and [redacted], had a greater place in farm policy and he thought there was a need for extra payments linked to environmental protection.

He expressed hostility to the EC-promoted concept of direct income aids for small farmers, however, because this would discriminate against the UK. Few if any British farmers would qualify, he thought. But he emphasised that no EC member state could abrogate all responsibility for agriculture and that there would be a continuing need for some system of market support.

His reason for throwing somewhat random pebbles into the pool was, he said, "to test ideas so that later we can enter negotiations (within the EC and the Gatt) with their implications thought out."

A cynical National Farmers' Union official later suggested privately that it indicated the Ministry of Agriculture had no clear policy for British agriculture. The ministry, he believed, had a total commitment to agreement on the Gatt round and when it was not concluded in December agriculture ministers were in a quandary as to what to do next. All the talk about keeping farmers in business and achieving a level playing field was fine, he said, but the ministry had no idea how to achieve any of it.

Against this background I found myself on the platform at the end of the conference debating whether or not the farmers present had the confidence to stay in farming. Although I was a member of the team that said it had that confidence, I was forced to concede that much current evidence favoured the opposite view.

The case for confidence relied on taking a view and on learning from the lessons of history. Agriculture, our side said, had seldom been easy, had always required resilience and flexibility by its exponents and was cyclical. We cited the example of the last great depression in agriculture during the 1930s and reminded the audience of the relative prosperity of the 1940s and 1950s, which, of course, included a period at war.

We spoke of the multitude of pressures on farmers around the world: both economic and environmental to reduce production and to eliminate food surpluses – policies that we attempted to put into perspective. We quoted Dr Bhupendera Dutia of the United Nations Food and Agriculture Organisation, who had said earlier in the conference that "global production and consumption are finely balanced," as well as other world-renowned agriculture and food experts who have recently been predicting world famine.

We argued that steadily increasing world demand for food from a population that nearly all experts agree will rise to over 6bn by the year 2000 would meet the decline in food production head on far faster than most politicians realised. When that happened we predicted higher market prices for farm commodities would supersede the need for subsidies and farm profits would improve.

The vote at the end of the debate was almost a foregone conclusion. Not necessarily because of the quality of arguments from our side but rather that the overwhelming majority of the people in the audience were committed to agriculture and prepared to tolerate a return on capital that would be considered inadequate in most other industries. The fact that there just could be a modest pot of gold at the end of the rainbow was enough to make most vote in favour rather than against the confidence to go on farming.

But one other vitally important point was reinforced during the debate – that however much the farmers of the world are criticised; however long it takes their activities to be appreciated rather than be condemned; an increasingly urbanised population could not exist without us. Most farmers at Oxford last week, whether they were confident or not, hoped that message at least would spread beyond the dreaming spires.

Extensification plan 'doomed to failure'

By Andrew Jack

[redacted] COMMUNITY [redacted] for arable farms are doomed to failure, according to a survey conducted by two geographers at the University of East Anglia. Only 3 per cent of East Anglian farmers were willing to reduce their production at the level of compensation recommended by the EC, said Dr John Tarrant and Dr Dick Cobb at the Institute of British Geographers' annual conference in Sheffield. A third of the farmers would not even consider [redacted] their levels of production by a fifth – the target recommended by the EC.

The community resolved in 1988 to reduce arable cultivation by 2 to [redacted] per cent annually to reduce overproduction. Extensification is one strategy they recommend, although the promised UK Ministry of Agriculture guidelines on the subject have still not been published. Extensification would normally involve farmers reducing their use of nitrogen, said Dr Tennant, as well as the application of pesticides, fungicides and herbicides associated with intensive farming.

"It goes against the culture of farming developed over the last 50 to 60 years," said Dr Tennant. "It is very difficult to be told to be less productive. They equate not farming intensively with not farming well. They are being asked to take money to be less effective as farmers."

In his preliminary work, released last week, Dr Cobb has interviewed 158 farmers, representing up to 20 per cent of the arable landholdings in East Anglia. Only 29 per cent of the farmers were willing to extensify even if compensated at £100 per acre, compared with a typical net margin of £150 in the region.

While most were reluctant to consider extensification, 37 per cent were interested in a production quota, similar to that used for sugar beet, milk and potatoes. A further 19 per cent said they would rather reduce costs as market prices fell.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices closed [redacted] on the LME yesterday [redacted] rally on [redacted] union officials [redacted] Copper [redacted] on Thursday. [redacted] price [redacted] underpinned by sterling's [redacted] against a [redacted] dollar [redacted] by [redacted] expectations [redacted] LME [redacted] might fall today [redacted] a [redacted]. The Peruvian [redacted] sharply [redacted] prices by midday. [redacted] prices [redacted] higher [redacted] covering [redacted] end [redacted] last week. Friday's rumours that an Australian [redacted] producer [redacted] having production problems continued. [redacted] a [redacted] on [redacted] London bullion [redacted] as [redacted] over the Gulf [redacted]. "This [redacted] level, although so far [redacted] not attracting sufficient [redacted] these levels," [redacted]. "If war [redacted] out, [redacted] will [redacted] through [redacted] roof, but in that [redacted] are probably producers waiting [redacted] the rally – we have [redacted] see." [redacted] – on [redacted] buying [redacted] prices well up at midday. New [redacted] prices were higher [redacted] midday on concern over [redacted] crop.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per [redacted])		+ or -
Dubai	[redacted]	[redacted]
[redacted] (dated)	$26.05-6.15	+2.10
[redacted] (February)	$25.95-6.05	+2.125
W.T.I. (1 pm [redacted])	$27.15-7.20x	[redacted]
Oil products (NWE [redacted] delivery per tonne CIF)		+ or -
[redacted]	[redacted]	+12.5
[redacted] Oil	[redacted]	+21
[redacted] Fuel Oil	$138-141	+7
Naphtha	$273-276	+16
[redacted]		
Other		+ or -
Gold (per troy oz)♣	$391.25	+3.75
Silver (per troy oz)♣	420.25c	-0.75
Platinum (per [redacted])	[redacted]	[redacted]
Palladium [redacted]	$84.60	[redacted]
Aluminium (free market)	$1570	+15
Copper (US Producer)	122c	
Lead (US Producer)	[redacted]	
Nickel (free market)	[redacted]	+15
Tin (Kuala Lumpur market)	[redacted]	+0.30
Tin (New York)	[redacted]	+2
[redacted] (US Prime [redacted])	[redacted]	
Cattle (live [redacted])	[redacted]	[redacted]
Sheep (dead weight)†	146.27p	-7.66*
Pigs (live weight)†	76.87-2	-2.26*
[redacted] daily [redacted]	$231.0z	+2.0
[redacted] sugar [redacted]	$256[redacted]	+1.5
Tate [redacted] Lyle [redacted]	£229.0	+4.0
Barley [redacted]	Unq.	
[redacted] (US [redacted] 3 [redacted])	[redacted]	
Wheat (US Dark Northern)	£87.0	
Rubber (Feb)♥	51.50p	+1.0
Rubber (Mar)♥	51.75p	+1.0
[redacted] RSS [redacted] 1 Jan)	[redacted]	+0.5
Coconut oil [redacted]	360.0z	+5.0
Palm Oil (Malaysian)§	355.0	
Copra (Philippines)§	$247.5x	[redacted]
Soyabeans (US)	[redacted]	+4.5
Cotton "A" index	83.[redacted]	
[redacted] (64s [redacted])	414p	

£ a tonne unless otherwise stated. p-pence/kg. [redacted] r-ringgit/kg. [redacted] v-Jan. [redacted] z-Jan/Feb. [redacted] Commission average [redacted] prices. * change [redacted] ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	[redacted]	High/Low
Mar	206.00	[redacted]	206.60 205.00
May	209.00	207.60	[redacted] 209.00
Aug	[redacted]	[redacted]	[redacted]
Oct	213.40	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	High/Low
[redacted]	[redacted]	[redacted]	[redacted]
Mar	[redacted]	296.5	297.8 [redacted]
[redacted]	[redacted]	[redacted]	[redacted] 303.0
[redacted]	[redacted]	282.0	283.5 [redacted]

Turnover: Raw 1440 [redacted] of [redacted] White 1184 (817)
Paris- White (FFr per tonne): Mar 1550, May 1556, Aug 1606, Oct 1496.

CRUDE OIL – IPE			[redacted]
	[redacted]	[redacted]	High/Low
[redacted]	[redacted]	[redacted]	26.60 24.90
Mar	[redacted]	[redacted]	25.85 [redacted]
Apr	25.15	[redacted]	25.15 23.80
[redacted]	24.91	[redacted]	25.47 24.91

Turnover 15407 [redacted]

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Jan	245.00	224.00	245.00 234.50
Feb	235.00	218.50	238.75 227.50
Mar	225.50	210.50	228.00 220.00
Apr	216.00	200.00	218.00 212.75
May	212.00	205.25	212.00 210.00
Jun	207.50	200.00	210.00 205.00
Jul	207.50	193.50	207.00 206.00

Turnover 15662 (10638) lots of 100 tonnes

TEA
[redacted] strong demand prevailed. Assam etc's met good [redacted] with brighter sorts often 10p or more dearer and plainer types selling more readily. Africans were well supported and although there was some irregularity among brighter [redacted] coloury [redacted] and plainer varieties [redacted] 4 [redacted] dearer, [redacted]. Ceylons sold well with prices fully firm to 5p [redacted] met good demand and brighter types were firm to dearer. Quotations: quality 220p nominal medium 135p low medium 65p.

[redacted] – London FOX				£/tonne
	Close	Previous	High/Low	
Mar	651	650	[redacted]	
May	686	680	[redacted]	
Jul	716	709	[redacted]	
[redacted]	745	740	[redacted]	
Dec	[redacted]	[redacted]	777 772	
Mar	[redacted]	[redacted]	801 795	

Turnover: [illegible]

COFFEE – [redacted]			
	[redacted]	[redacted]	High/Low
Jan	607	605	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
[redacted]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

Turnover: [illegible] ICO Indicator prices (US cents per pound) for Jan 3: Comp. daily [illegible] 15 day average 72.49 (72.58)

POTATOES – London FOX			
	Close	Previous	High/Low
Apr	131.5	128.5	131.5 130.0
May	[illegible]	[illegible]	[illegible]

Turnover 99 (110) lots of 40 tonnes

SOYAMEAL – London FOX			
	Close	Previous	High/Low
[redacted]	[illegible]	[illegible]	117.50
Jun	[illegible]	118.50	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Turnover 61 (50) lots of 20 tonnes.

FREIGHT – London FOX			£10/index point
	Close	Previous	High/Low
Jan	1440	1420	1430 1415
Feb	1415	1390	1405 1390
Apr	1337	1330	[illegible]
BFI	1435	1436	

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
[redacted]	119.50	[illegible]	119.25
Mar	122.50	[illegible]	122.75
[redacted]	126.30	126.45	[illegible]
[redacted]	Close	Previous	High/Low
Jan	114.35	114.70	114.00
[redacted]	117.75	118.00	117.75
[redacted]	[illegible]	[illegible]	[illegible]

Turnover: Wheat 59 (76), [redacted] 33 (51). Turnover lots of 100 tonnes.

PIGS – London FOX			
	Close	Previous	High/Low
Jan	[illegible]	94.8	94.8
Feb	[illegible]	94.5	[illegible]
Apr	[illegible]	97.5	98.5
May	[illegible]	98.0	[illegible]
Jun	[illegible]	98.0	[illegible]
[redacted]	[illegible]	98.5	99.5

Turnover: 55 (74) lots of 3,250 kg

LONDON METAL EXCHANGE						
[redacted] by Amalgamated Metal [redacted]						
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
[redacted], 99.7% [redacted] ($ per tonne)					Total daily turnover 7,880 [redacted]	
[redacted]	[redacted]	1581-3	[redacted]	[redacted]		
[redacted]	[redacted]	1593-4	1604/1584	[redacted]	1582-4	[redacted]
Copper, Grade A [redacted]					Total daily [redacted]	
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	1375-6	1361-2	1379/1360	1375-6	1378-9	[illegible]
Lead ($ per tonne)					Total daily turnover [redacted]	
Cash	315-7	316-7				
3 months	[illegible]	330.5-1		[illegible]	330.5-1.5	[illegible]
Nickel ($ per tonne)						
Cash	8925-75	8750-75	8950	8850-75		
3 months	[illegible]	8650-75	8950/8850	8700-25	8900-25	[redacted]
Tin ($ per tonne)					Total [redacted] 876 lots	
Cash	5650-60	5710-20				
3 months	[illegible]	5825-30			5750-70	6,770 lots
Zinc, Special High Grade ($ per tonne)					Total [redacted] 304 lots	
Cash	1271-4	1263-5		1265-8		
3 months	[illegible]	1260-2	1272-1260	1260-1	1266-8	[redacted]
LME Closing £/$ rate						
SPOT: 1.9065	3 months: 1.8781		[redacted] months: 1.8598		9 months: 1.8385	

LONDON BULLION MARKET		
Gold (fine oz) $ price		£ equivalent
Close	391.00-391.50	
Opening	[illegible]	
Morning fix	[illegible]	205.249
Afternoon fix	[illegible]	205.528
Day's high	392.30-392.70	
Day's low	390.00-390.50	

[redacted] Ldn Mean Gold Lending Rates			
1 month	5.88	6 months	5.40
2 months	5.67	12 months	5.22
3 months	5.53		

Silver fix	p/fine oz	US cts equiv
Spot	221.35	420.25
3 months	[illegible]	428.00
6 months	[illegible]	435.65
12 months	246.65	451.35

TRADED OPTIONS				
[illegible]	Mar	May	Mar	May
550	100	[illegible]	[illegible]	[illegible]
600	[illegible]	[illegible]	[illegible]	[illegible]
650	[illegible]	[illegible]	[illegible]	[illegible]
Cocoa	Mar	May	Mar	May
600	[illegible]	[illegible]	[illegible]	[illegible]
650	[illegible]	[illegible]	[illegible]	[illegible]
700	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]				
2500	[illegible]	[illegible]	[illegible]	[illegible]
2550	[illegible]	[illegible]	[illegible]	[illegible]
2600	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD [redacted] troy oz.; $/troy oz.				
	[redacted]	[redacted]	High/Low	
Jan	[redacted]	[redacted]	0	0
Feb	[redacted]	[redacted]	396.6	392.2
[redacted]	397.6	[redacted]	395.0	[redacted]
Apr	399.5	390.4	400.5	[redacted]
Jun	403.1	393.9	404.0	[redacted]
Aug	406.5	397.2	0	0
[redacted]	[redacted]	[redacted]	408.0	[redacted]
[redacted]	413.6	403.9	413.5	410.0
[redacted]	417.4	407.6	415.0	414.0

[redacted]				
	[redacted]	Previous	High/Low	
[redacted]	[redacted]	409.7	414.0	410.5
Apr	417.1	414.4	417.5	415.0
Jul	421.4	416.7	421.3	420.0
Oct	425.6	422.7	424.5	424.5
[redacted]	[redacted]	[redacted]	0	0

SILVER 5,000 [redacted] oz; [redacted]				
	[redacted]	[redacted]	High/Low	
Jan	[redacted]	[redacted]	0	[redacted]
Feb	[redacted]	[redacted]	0	[redacted]
[redacted]	434.0	420.7	[redacted]	423.5
[redacted]	440.0	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	446.0	[redacted]
[redacted]	452.0	[redacted]	[redacted]	[redacted]
[redacted]	460.4	[redacted]	[redacted]	450.5
[redacted]	[redacted]	447.7	0	0
[redacted]	[redacted]	464.0	462.5	[redacted]
May	475.3	[redacted]	[redacted]	[redacted]

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	[redacted]	High/Low	
Jan	117.95	[redacted]	118.00	[redacted] 15
[redacted]	117.80	[redacted]	[redacted]	116.20
Mar	116.80	[redacted]	117.20	[redacted]
Apr	[redacted]	114.40	115.20	115.20
May	113.30	112.70	[redacted]	112.00
Jun	112.20	111.70	112.60	112.60
Jul	111.00	110.20	111.30	[redacted]
Aug	110.15	109.35	0	0
Sep	109.30	108.50	109.[redacted]	108.50
[redacted]	[redacted]	[redacted]	0	[redacted]

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Feb	27.88	24.90	28.00	[redacted]
Mar	26.82	24.22	[redacted]	25.05
[redacted]	25.13	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	23.40
[redacted]	23.45	22.09	23.50	22.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	[redacted]	7760	7050
[redacted]	[redacted]	6592	7470	6900
Apr	6766	6356	6766	[redacted]
May	6586	6186	6586	6520
[redacted]	6421	6021	6421	[redacted]
Jul	6346	[redacted]	6346	6220
[redacted]	[redacted]	5976	6365	6270
[redacted]	[redacted]	[redacted]	6420	6400
[redacted]	[redacted]	[redacted]	6550	6550
[redacted]	6636	[redacted]	0	[redacted]

[redacted] 10 [redacted]				
	[redacted]	[redacted]	[redacted]	
Mar	1153	1150	[redacted]	1130
May	1192	1192	1197	1173
Jul	1240	1234	1230	1220
[redacted]	1278	1273	[redacted]	1260
Dec	1319	[redacted]	[redacted]	1303
[redacted]	[redacted]	1356	1354	[redacted]
May	1401	1394	1385	1385

COFFEE "C" [redacted]				
	Close	Previous	High/Low	
Mar	[redacted]	[redacted]	[redacted]	88.55
[redacted]	92.65	[redacted]	[redacted]	[redacted]
Jul	[redacted]	[redacted]	95.40	93.30
[redacted]	97.10	[redacted]	[redacted]	[redacted]
Dec	100.00	98.80	0	98.60
Mar	102.15	101.55	0	0
[redacted]	[redacted]	[redacted]	0	0

SUGAR WORLD "[redacted]" 112,000 lbs; [redacted]				
	Close	Previous	High/Low	
Mar	[redacted]	9.20	9.33	[redacted]
May	9.40	[redacted]	9.43	9.32
Jul	9.41	[redacted]	9.45	9.38
Oct	9.43	9.35	9.47	9.39
Mar	9.52	9.44	9.51	9.50
May	[redacted]	[redacted]	0	0

COTTON 50,000; cents/lbs				
	Close	[redacted]	High/Low	
Mar	75.98	[redacted]	[redacted]	[redacted]
May	74.38	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	74.50	[redacted]	73.75
Oct	[redacted]	67.63	[redacted]	67.25
Dec	64.33	[redacted]	[redacted]	64.15
[redacted]	[redacted]	[redacted]	65.30	[redacted]
May	65.85	65.70	[redacted]	65.85

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	[redacted]	[redacted]	109.75	[redacted]
Mar	109.60	108.15	[redacted]	[redacted]
May	111.50	[redacted]	111.75	107.00
Jul	[redacted]	112.00	[redacted]	[redacted]
Sep	[redacted]	113.00	[redacted]	[redacted]

INDICES			
REUTERS (Base: September 18 1931 = 100)			
Jan 7	[redacted]	mnth ago	yr ago
[redacted] 4	1698.7	1715.3	1821.4
DOW JONES (Base: [redacted] = 100)			
Jan.4	[redacted]	mnth [redacted]	yr ago
[redacted] 123.84	[redacted]	122.79	128.36
Futures [redacted]	[redacted]	[redacted]	130.08

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	566/6	564/4	570/6	563/4
Mar	577/2	575/0	582/4	575/2
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	20.45	20.28	20.45	20.27
Mar	20.73	20.57	20.74	[illegible]
May	21.10	20.87	21.10	[illegible]
Jul	21.38	21.25	[illegible]	21.25
Aug	21.38	21.25	[illegible]	21.25
Sep	21.33	21.22	21.40	21.25
Oct	21.34	21.23	21.35	21.20
Dec	21.40	21.20	21.45	21.25

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jan	168.5	167.6	170.1	167.0
Mar	172.9	172.4	174.7	171.7
May	176.6	176.1	178.4	175.6
Jul	180.6	180.0	[illegible]	179.6
Aug	181.5	181.1	183.2	181.2
Sep	182.0	181.8	183.6	182.0
Oct	181.6	181.6	183.0	181.0
Dec	183.5	183.6	184.0	181.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	77.75	77.90	77.97	77.27
Apr	76.47	76.80	77.05	76.45
Jun	74.05	74.00	74.30	73.90
Aug	73.07	73.42	73.55	73.02
Oct	73.42	73.42	73.85	73.40
Dec	73.47	73.75	74.25	73.75

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	50.57	49.67	50.57	[illegible]
Apr	46.85	47.15	46.95	[illegible]
Jun	51.25	51.12	51.35	[illegible]
Jul	52.82	51.32	53.22	[illegible]
Aug	50.35	48.95	50.35	[illegible]
Oct	45.40	44.80	45.40	[illegible]
Dec	46.40	44.80	46.40	[illegible]

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	65.72	64.72	65.72	[illegible]
Mar	65.52	63.92	65.62	[illegible]
May	66.17	65.12	66.17	[illegible]
Jul	65.97	63.97	65.97	[illegible]
Aug	63.82	61.82	63.82	[illegible]

LONDON STOCK EXCHANGE

Share prices easier in cautious trade

THE UNCERTAINTIES in global securities markets ahead of tomorrow's crucial meeting between top US and Iraqi representatives in Geneva was reflected in a fall in UK equities yesterday. However, trading volume was low and the drop in the London market mirrored similar setbacks [illegible] continental bourses.

Apprehension over the threat of hostilities in the Gulf, after the UN deadline for Iraq's withdrawal from Kuwait expires next week, brought higher oil prices, which are bearish for share prices, but was no help for sterling which suffered from the strength of [illegible] dollar as a safe haven dur[illegible] times of global crises. The pound's weakness continued [illegible] undermine hopes for early cuts in domestic interest rates.

London spent much of the day anticipating a lower opening to the new Wall Street session, following news of [illegible] seri[illegible] blow [illegible] the [illegible] banking system through the insolvency at Bank of New England. In the event, however, UK stocks staged a rally from the lows of the day, in spite of a fall of 17 Dow points in New York during UK trading hours.

The FT-SE Index [illegible] down 12.8 at 2,113.3, a [illegible] of some 0.6 per cent on the day, compared with falls of more than [illegible] per [illegible] in several con[illegible] European markets, Seaq trading [illegible] was dis[illegible]mal at [illegible] shares, compared with [illegible] on Friday. Many [illegible] blue chip [illegible] struggled [illegible] reach the 1m shares trading level. Some second line issues [illegible] hardly [illegible] yesterday, according to specialist [illegible].

With the institutions still unwilling to open up new positions until the Gulf situation [illegible] clarified, [illegible] equally determined to avoid [illegible] ahead of tomorrow's meeting between Mr J[illegible] Baker, the US secretary of stat[illegible] Mr Tariq Aziz, the Iraqi foreign minister, shares were driven more by market technicalities than by investment logic. Share prices edged briefly into firm territory in very early dealings as trading houses [illegible] positions.

At [illegible] leading [illegible] firms operated trading pro[illegible] of significant size. [illegible] programme, [illegible] of [illegible] in leading equities, with [illegible] proceeds moving [illegible] share options. This appeared to be a classic defensive move in the face of [illegible] overhanging securities markets.

Market traders sounded unconvinced by [illegible] late recovery [illegible] equities, which was helped by a [illegible] closing trend [illegible] the pound. They believed the rally also reflected a halt in the sell programme, which could prove temporary since not all the business had been completed. The mood at [illegible] of trading remained [illegible], [illegible] strategists expect investment confidence to pick up in the [illegible] [illegible] the news from [illegible] Gulf [illegible] in [illegible] turns out [illegible] positive.

The fall in the market was [illegible] by support for [illegible] issues, [illegible] the [illegible] rise in [illegible] North Sea crude to above $25 a barrel again. The strength of the dollar helped blue chip dollar [illegible], although [illegible] stressed that [illegible] was [illegible] business behind the gains in [illegible] prices.

Still on the [illegible], however, were the [illegible] street banks, with TSB easier as the market awaited the trading report due this week. Renewed concern over trading progress at Eagle Star, BAT Industries' insurance subsidiary, unsettled BAT. [illegible] sector looked uneasy after the new round of winter storms had pounded the UK.

Account Dealing Dates		
*First Dealings:		
Dec 31	[illegible] 14	[illegible] 28
Option Declarations:		
Jan 10	Jan 24	Feb 7
Last Dealings:		
Jan 11	Jan 25	Feb 8
Account Day:		
Jan 21	Feb 4	Feb 18

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Jan 7	Jan 4	Jan 3	Jan 2	Dec 31	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	83.57	84.20 (2/1/90)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.93	[illegible]	[illegible]	90.59	90.62	92.83	92.91 (8/1/90)	83.80 (30/4/90)	105.4 (28/11/47)	[illegible] (3/1/75)
Ordinary Share	[illegible]	1639.5	[illegible]	[illegible]	[illegible]	1936.5	1966.3	1510.4	2008.6	[illegible]
Gold Mines	[illegible]	157.8	[illegible]	156.9	154.6	316.1	[illegible]	[illegible] (18/12/90)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	[illegible]	[illegible]	[illegible]	2128.3	[illegible]	[illegible]	[illegible] (2/1/90)	1990.2 (28/9/90)	[illegible] (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	[illegible]	[illegible]	937.41	931.10	[illegible]		1003.35 (6/12/90)	925.46 (7/1/91)	1003.35 (6/12/90)	925.46 (7/1/91)
Ord. Div. Yield	5.81	[illegible]	5.81	[illegible]	5.73	4.39				
Earning Yld %(full)	12.11	[illegible]	12.11	[illegible]	11.96	10.71				
P/E Ratio (net)	9.86	10.04	[illegible]	[illegible]	10.10	[illegible]				
SEAQ Bargains 4.45pm	31,564	[illegible]	[illegible]	26,726	[illegible]	34,211				
Equity Turnover(£m)†	[illegible]	[illegible]	[illegible]	379.65	[illegible]	752.77				
Equity Bargains†	[illegible]	[illegible]	[illegible]	30,326	[illegible]	25,487				
Shares Traded (mil)†	[illegible]	264.6	317.8	183.9	120.6	315.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/10/90. [illegible] ‡ Indicative.

Ordinary Share Index, Hourly changes — Day's High 1661.8 — Day's Low 1643.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1656.8	1657.5	1661.1	1660.0	1655.4	1652.7	1648.6	1645.1	1648.3

FT-SE, Hourly changes — Day's High 2130.0 — Day's Low [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2128.3	2124.1	2129.2	2128.0	2123.6	2120.6	2117.0	2111.3	2114.4

FT-SE Eurotrack 100, hourly changes — Day's High [illegible] — Day's Low 924.91

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
932.47	934.09	929.57	929.05	928.20	926.48	925.11

GILT EDGED ACTIVITY

Indices*	Jan 7	Jan 4
Gilt Edged Bargains	89.4	[illegible]
5-Day average	89.4	47.1

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. [illegible] 123001

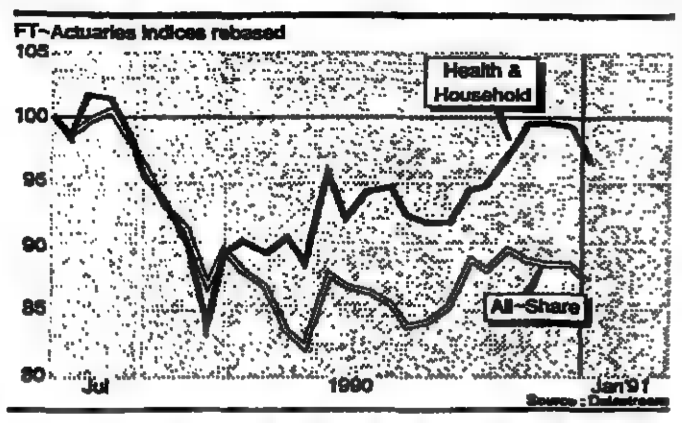
Network setback for Racal

RACAL Electronics traded in heavy volume after news that the UK government and the Racal Electronics' subsidiary, Racal Data Networks, had called off talks aimed at Racal providing an integrated communications service for a number of government departments. The two parties could not agree on a price for the service, according to market specialists.

Shares of Racal Electronics were hit hard. Chased up to 176½p earlier in the session, they were subsequently marked down sharply and closed a net 5 off at 169p. Turnover reached 9.5m shares, with more than half the [illegible] accounted for by a single trade of 5m around midday.

One electronics/telecoms specialist described the news as "a nasty blow for Racal". [illegible] said some of the more optimistic broking houses had put a value of £250m, or 20p a share, on [illegible] networking business. "Racal has had the jewel in its networking crown ripped away," he said.

At Carr Kitcat & Aitken, Mr Christopher Tucker said of the cancelled project: "While [illegible] should ease the pressure on Racal's balance sheet and slightly enhance earnings per share in the short term, it is a big blow for the long-term development [illegible] Racal's net[illegible] services business."



Pharmaceutical shares dominate the Health and Household sector. They began to outperform the overall FT-Actuaries Index at the end of August last year as investors identified them as defensive stocks, in the face of the recession looming over the domestic and international economies. The trend was accentuated as City analysts downgraded profits forecasts across the range of industrial shares. However, drug issues have now been pulled more into line with the rest of the market as the UN deadline for an Iraqi withdrawal from Kuwait has overwhelmed all market sectors.

Telecom stocks ease

The market's [illegible] telecom companies — [illegible] Telecom and Cable and Wireless came in for some determined [illegible] UBS Phillips & Drew issued a note detailing the effect of any move by Oftel, the telecoms watchdog, to cap international call prices. "We believe news on this front could be due soon," said Mr Nick Measham at UBS.

UBS moved BT to a "sell" and restated their bear case for Cable stock, noting that international profits account for 30 per cent of BT's total profits and are even more important to Cable's Mercury — 50 per cent of Mercury's 1990 profit of £49m.

The [illegible] house [illegible] the view that these profits will fall in future and that increased competition in the area will, over time, add to pressure on prices and market share for both BT [illegible] Mercury. "The impact on BT is [illegible] in a full [illegible] on Mercury is £25m to £30m," said UBS's Measham.

BT dipped to 276p before closing [illegible] net 5 lower at 277p, while Cable fell 11 to 449p.

Siebe move denied

A flurry of speculative activity in shares of Siebe, the UK controls and specialised engineering group, faded after cold [illegible] poured [illegible] that the German conglomerate Mannesmann was contemplating predatory action.

It was suggested that Mannesmann could initially make [illegible] friendly approach [illegible], which last year outbid the German group in the battle to acquire Foxboro, the US controls manufacturer.

Siebe advanced 16 to 335p before a [illegible]mpany official defused the speculation [illegible] saying: "We have not had any discussions with Mannesmann, whatsoever." In Düsseldorf, Mannesmann said the company was not examining co-operation with Siebe.

Both statements dented market optimism about the possibility of a £750m bid, and the Siebe share price slipped back to close only [illegible] up on the session at 321p. Turnover of 546,000 shares was recorded.

Reuters, the global business communications group, made a firm showing at 689p, a gain of [illegible], [illegible] Govett, the UK securities firm, published a heavyweight [illegible] recommendation.

Hoare told clients that Reuters shares, which suffered last year from delays to its new transaction products and from an increased pace of customer contract cancellations, is set for "significant recovery" in earnings. However, Hoare sees 1992 as the earliest year for a return to the 20 per [illegible] growth levels formerly [illegible] by Reuters and, with investors disinclined at present to look beyond the uncertainties created in the stock market by the Gulf situation, there was no rush to buy Reuters stock.

Trading volume struggled [illegible] mark in the early part of the [illegible], [illegible] only managed to reach 567,000 shares for the full session, having failed to attract much interest from the US when Wall Street opened for the new session.

Firmness in the US dollar helped the international blue chips to rise but the same could not be said of trading volumes. Glaxo put on 12 to 823p on fairly respectable turnover of 1.4m shares as the market responded to US approval for [illegible] and also looked [illegible] the beneficial effect on US profits of a stronger dollar.

Bank Organisation shares suffered from their inclusion in the sell programme operated by a leading London securities house. Even before Wall Street opened lower, Rank had fallen 10 to 598p as investors continued to back away from the leisure sector, which is expected to suffer from a tightening in consumer spending as the recession strikes home in the UK. Trading volume of 1.7m shares, while not heavy by normal daily levels, was high by the measure of yesterday's market.

Confirmation of last year's expected fall in new car registrations [illegible] level affected GKN and other automotive issues. Sentiment was also soured by S.G. Warburg following the lead set on Friday by County NatWest by lowering its sights this year for many UK companies.

Warburg admitted trimming profits estimates across the enginee[illegible], including GKN, but would not give details. Notable last Friday for showing resistance to the County downgrading, GKN yesterday moved [illegible] the wider equity trend to close 7 down [illegible] 316p. [illegible] Indus[illegible], [illegible] leading motor component manufacturer, lost [illegible] more to 132p, while Laird Group ended 3 lower at 179p.

TSB eased 2 to 130½p ahead of preliminary results expected on Thursday morning. News that the group had agreed to dispose of its Target subsidiary to Equity & Law, the French-owned life assurance group, but would retain a [illegible] of [illegible] liability [illegible] the group, was released after the [illegible] of the market.

Analysts' forecasts of TSB profits range from £315m to £340m. Smith New Court is at [illegible] bottom of the range and [illegible] TSB to make a £223m [illegible] for bad [illegible], compared with a 1989 [illegible] of £92m. Smith is looking for a strong underlying result for 1990, particularly from the retail bank and investment services divisions, and says that further progress over the next two years "has only been partly recognised in the bank's share rating".

Other bank stocks lost ground, although turnover in the sector was low. Standard Chartered was a weak market, losing 11 to 236p on turnover of 1.3m. Dealers were casting around for reasons for the movement, other than the usual "bad debts" stories and the stock falling out of the FT-SE index.

Lasmo gained 5 to 370p after County NatWest added the stock to its "County 30" list of [illegible] stocks, pointing [illegible] that the shares are trading at a discount to net asset value for the first time in 30 months. "If the E & P stocks continued to weaken so that their share prices fall below asset values, we could have a repeat of 1987 when the oil majors moved in to acquire cheap assets in the market," said County's Ms Angela Burns.

Glynwed International warded off sell advice and ended only 2 softer at 210p. BZW analyst Mr Rory Sweetman believes the effect of UK recession on the group is deepening and widening. He forecasts profits of only £30m for the second half (normally the stronger period) of 1990, giving a full year outcome of £70m, compared with £93.3m for the previous year. Glynwed [illegible]ally reports annual results in March.

A poor market last week on the announcement that the preference dividend could not be paid, Telfos rebounded as bid speculation resurfaced to finish 8 up at 108p.

Chemical sector favourite Laporte reacted 7 to 473p as Kleinwort [illegible] cut £5m from its 1991 profits estimate to £129m. Slower trading conditions were lasting longer than previously expected, [illegible] Kleinwort analyst Mr Jeremy Chantry.

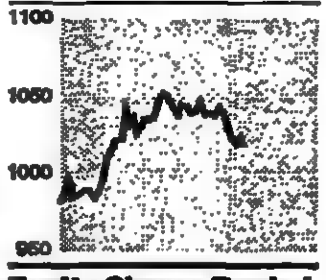
Berisford International was steady at 21p as turnover rose to 1.6m on speculation that Associated British Foods could be about to place its 22.9 per cent stake. Berisford has risen from t[illegible] all-time low of 15p struck [illegible] the second week of December in anticipation of the £880m sale of British Sugar to A.B. Foods.

Asda was actively traded on a brokers' buy recommendation ahead of tomorrow's interim results. The shares closed [illegible] penny up at 117p on turnover of 7.7m, with analysts expecting profits of £60m [illegible] £62m, against £83.5m last time.

Dixons rose 5 to 139p as 2.4m changed hands in anticipation of better than expected interim results on Thursday. According to weekend press reports, profits will be £22m, after £5m to cover product guarantees is excluded. This compared with most analysts' estimates [illegible] around £18m.

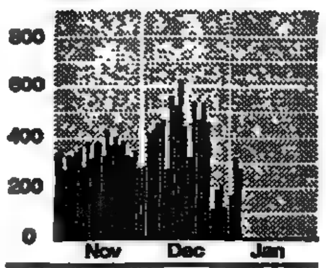
■ Other Market statistics, including the FT-Actuaries share index, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	[illegible]	[illegible]	[illegible]
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey National	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	+3
British [illegible]	3,000	[illegible]	−½
British Telecom	2,900	277	−5
Bunzl	551	87	+1
Burmah Castrol	83	467	−1
Burton	3,800	75	−1
Cable & Wire.	1,300	449	−11
Cadbury's	300	332	
Calor Group	235	240	−1
Carlton Comms.	[illegible]	377	−5
Coats Viyella	[illegible]	104	
Comm. Union	[illegible]	451	−8
Cookson	[illegible]	87	−3
Courtaulds	422	316	−4
Dalgety	114	344	−1
Inchcape	870	229	−3
Kingfisher	372	353	−2
Ladbroke	728	244	−5
Land Securities	1,100	[illegible]	[illegible]
[illegible]	44	473	−7
Legal & General	223	354	+3
Lloyds Abbey	275	329	−3
Lloyds Bank	930	290	−6
LASMO	1,400	370	+5
London Elect.	4,300	137½	−½
Lonrho	1,200	209	−5
Lucas	592	132	−3
MB Caradon	126	184	−1
MEPC	130	483	−8
Manpower	391	64	
Rolls Royce	3,500	135	−1
Rothmans	439	787	−18
Ryl Bk [illegible]	[illegible]	[illegible]	−4
Royal Insurance	2,000	[illegible]	−1
STC	347	[illegible]	
Saatchi	65	35	
Sainsbury	558	309	
Scottish & New.	378	366	−9
Sears	3,400	84	−1
Sedgwick	354	230	
Seeboard	1,400	141	−1
Severn Trent Water	429	342	
Shell Transport	2,200	449	+5
Siebe	546	321	+2
Slough Ests	332	234	−3
Unilever	307	874	−8
United Biscuits	2,800	[illegible]	[illegible]
Utd. Newspapers	1,000	[illegible]	−1
[illegible] Package Uts.	[illegible]	[illegible]	
[illegible]	391	420	−15
Welsh Water	34	277	+1
Wessex Water	28	364	
Whitbread 'A'	408	435	−3
Wiggins Teape	2,800	161	
Williams Hldgs.	383	230	−1
Willis Corroon	1,100	297	
Wimpey	243	201	−3
Yorkshire Elect.	6,000	188	+½
Yorkshire Water	882	375	+4

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (6). ELECTR[illegible] FOODS (1) INDUSTRIALS (3) Barlo[illegible], De La Rue, Sanders & Sidney, [illegible] (2).

NEW LOWS (114). AMERICANS (1) CANADIANS (1) BANKS (3) BUILDINGS (12) STORES (3) ELECTRICALS (16) ELECTRICITY (3) ENGINEERING (4) HOTELS (1) INDUSTRIALS (18) Amber Inds., B. H. Prop., [illegible], Daimler Benz, Dean & Bowes, Doctus, [illegible] Elleen, Handley-Walker, IEA Ind., Kel[illegible], Levers[illegible] Norton, Polymark, [illegible], Powell Duffryn, Shanks & McEwan, Third Mile Inv., INSURANCE (3) LEISURE (3) PAPERS (1) PROPERTY (7) TEXTILES (1) TRUSTS (20) OILS (3) MINES (6).

APPOINTMENTS

Britannia Life makes promotions

■ BRITANNIA LIFE, Glasgow, has made the following promotions. Mr Gavin M. Stewart joins the board as finance director, heading the accounting and actuarial divisions. He was general manager (actuarial). Mr Tom Anderson becomes general manager (sales and marketing) in a move which amalgamates these complementary areas. Mr John Meechan has been appointed general manager (customer services), heading a new division, and Ms Elspeth M.M. McLean is promoted to general manager (corporate services) from assistant general manager.

■ Mr Richard Lambert, editor of Financial Times, Mr David Bell, newspaper advertisement director, Mr Will Gibson, managing director of Financial Times Business Information, and Mr Gilles Brochen, managing director of Les Echos Group, have been appointed to the board of the FINANCIAL TIMES GROUP.

■ CPC (UNITED KINGDOM), Esher, has appointed Mr Ian Ramsay as director of operations. He has been with the company for 25 years. Mr Andrew Crawford has been appointed commercial director, best foods, responsible for developing the newly-acquired brands Marmite, Ambrosia and Bovril, as well as existing brands such as Hellmanns, Knorr and the Napolina range. Changes are from March 1.

■ Mr Nigel Young has been appointed finance director of FIRST TECHNOLOGY. He held a similar post at UNITED SCIENTIFIC HOLDINGS.

■ EQUITY & LAW has formed a new subsidiary, Equity & Law Investment Managers. Mr Peter Smith, (pictured) investment manager, Equity & Law Life Assurance Society, has been appointed managing director of the new subsidiary,

with Sir Douglas Wass as chairman, and Mr C.J. Brocksom, Mr J.P. Hellebuyck and Mr J.P. Smith as directors.

■ GRIPPERRODS INTERNATIONAL, Horsham, part of C.H. Industrials, has appointed Mr Keith Tester as financial director. He was director and general manager of the company's Cannock central distribution centre.

Changes at Northern Foods

■ NORTHERN FOODS, Hull, has appointed the following to the group executive committee: Mr Neil Davidson, managing director of Ashby Dairy Co, who adds responsibility for Dale Farm Foods and Dale Farm Dairies (Ireland); Mr Matthew Gribbin, managing director of Bowyers, who adds responsibility for T.N. Parr, Nottingham; Mr David Salkeld, who becomes managing director of Northern Dairies; Mr Robin Southgate, group technical [illegible]; Mr Brian Stein, managing director of Pork Farms, who adds responsibility for Palethorpes; Mr Jo Stewart, managing director of Fox's Biscuits, [illegible] adds responsibility for Elkes Biscuits; and Mr Julian Wild, company secretary and business development executive.

■ Mr A.J. Murray has been appointed chief executive of TIMBER GROWERS UK, [illegible] organisation [illegible] the [illegible] of private woodland owners. He was director of [illegible] and development, and takes over from Mr Ronnie Williams who [illegible] executive director of the Forestry Industry Committee of Great Britain. Mr Peter Wilson becomes technical director.

■ Mr Angus Maitland, formerly chairman and chief executive of the VPI Group, has been appointed a vice chairman of BURSON-MARSTELLER INC, based in London.

■ Mr Richard Jewson, deputy chairman of Meyer International, and Mr Sinclair Thomson, chief executive of Hepworth, are to be appointed to the board of ANGLIAN WATER as non-executive directors.

Yorkshire Bank senior posts

■ YORKSHIRE BANK has [illegible] Mr David Knight as [illegible] general manager, group services. He was assistant general manager, strategic planning, and will add administration, previously the responsibility of Mr Eric Robinson [illegible]. Mr Michael Allsopp, controller advances, west, becomes assistant general manager, corporate and financial management. He is succeeded by Mr David Mortimer who was [illegible] marketing. Mr Grahame P. [illegible], managing director of Yorkshire Bank Retail Services, becomes controller, marketing and planning. [illegible]r Robinson retains a non[illegible]ve chairmanship of YB[illegible] Services.

LONDON SHARE SERVICE

BRITISH FUNDS

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
Index-Linked		(b)			(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

INT. BANK AND O'SEAS

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.71	9.70

FOREIGN BONDS & RAILS

1990/91 High	Low	Stock	Price £	+ or −	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990/91 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990/91 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19¼	524p	Chem. Banking Corp.	588p	+17	$1.00	—	8.6
12½	5[illegible]	Chrysler $6¼	6½	+⅛	$1.20	—	9.4
18¼	5[illegible]	Citicorp $1	6[illegible]	+⅛	$1.00	—	[illegible]
40[illegible]	29[illegible]	Colgate-Palmolive $1	36[illegible]	+[illegible]	$1.80	—	2.5
12[illegible]	386p	Cont'l Bank Corp $4	456p	+2	$1.00	—	11.1
268p	51p	Corporate Data Sces.	51p		—	—	—
22¼	10¾	Dana Corp. $1	14½	+⅛	$1.60	—	5.[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990/91 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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LONDON SHARE SERVICE

BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro F15	£9¼	−⅛	Q28%	2.1	8.9	5.3
303	122	ANZ SA1	122	−6	Q38c	♦	12.0	♦
234	172	Abbey National 10p	226	−2	5.7	4.3	3.4	9.2
*274	128	Allied Irish Ord	132	−2	†Q40%	3.3	6.8	6.0
85	47	Anglo Irish	57		Q18.6%	2.3	7.3	7.5
93	60	Ansbacher (H.) 1p	60		2.5	1.3	5.6	17.3
£71⅛	£32½	Bancaire Cie Fr100	£44⅜	−1⅛	Q12½%	−	3.0	−
£22⅜	£12⅝	Banco Bilbao Viz	£13½	+¼	Q49.1%	2.7	6.1	9.0
£58½	£23¼	Banco de Santander	£23⅞		Q24.7%	2.5	4.2	9.5
286	130	Bank Ireland Ir£1	142	−2	Q14.7%	2.9	9.3	5.0
£19½	£18	Bank Leumi	£19½			−	−	−
351	320	Bank Leumi (U.K.)	358		†15.0	−	5.7	−
129½	100	Bank Scotland	115	−½	14.55	3.4	5.3	7.3
101¼	83¼	Do. 9¼pc Irrd Pf	97¼	−½	9¼%	−	12.6	−
54	39	Bank of Wales	42		2.8	0.8	8.9	(20.2)
428	290	Barclays £1	348	−8	†h19.57	3.5	7.5	4.8
22	10	Benchmark 20p	11	+1	0.75	−	9.1	−
335	201	Brown Shipley £1	201	−4	†12.0	2.2	‡	6.5
*435	285	Cater Allen £1	389	−1	F24.5	−	8.4	−
179	29	Chancery	44		†9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£15¼	−¼	Q18%	−	4.1	−
£13¼	620	Dai Ichi KBk Y50	762	+12	Q17%	6.2	0.4	36.0
£313½	£189¼	Deutsche Bk DM50	£198¼	−7⅛	Q28%	−	2.4	−
£20⅞	£14⅝	Espirito Santo	£16⅝	+¼	Q75c	5.1	2.3	8.5
253	166	First Nat. Fin. 10p	178		13.0	♦	10.2	♦
121	82	FNFC 6.3pc Cv Pf	88xd	+2	6.3%	−	9.5	−
£13⅛	633	Fuji Bank Y50	950	+11	†Q17%	6.9	0.4	40.4
325	262	Gerrard & National	315		19.0	−	8.0	−
154	73	Guinness Mahon 10p	73		1.45	♦	2.6	♦
328	194	Hambros 20p	232	−1	†11.5	−	6.6	−
128	88	Do. 7.5pc Cv Pf	100		7½%	−	10.0	−
53½	29	HK & Shang HK$2.50	31	+½	†hQ38c	−	8.2	−
478	373	Joseph (Leo) £1	378		15.85	−	5.6	−
150	105	King & Shaxson 20p	125		10.25	−	10.9	−

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
225	139	Airflow Streamlines	140	.....	6.0	3.0	5.7	7.8
190	145	Bostrom 5p	147	.....	15.75	3.1	5.2	6.7
266	160	Dowty 50p	144	.....	19.0	2.1	7.4	7.8
239	110	FR Group	120	+2	6.37	3.1	7.1	6.1
135	55	Kwik-Fit Hldgs. 10p	79	.....	12.4	2.3	4.1	14.6
174	102	Lucas Inds	132	–3	7.0	2.5	7.1	6.5
44	14	Do. Warrants	22½	–½	–	–	–	–
80	55	Mid-States 10p	55	.....	s20.75	–	1.8	46.1

Garages and Distributors

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
28	15	Alexanders 10p	15	.....	1.0	3.0	8.9	4.5
135	78	Appleyard 10p	84	.....	17.8	2.4	12.4	3.9
110	55	Bletchley Motor 20p	65	.....	17.5	1.9	15.4	4.6
568	398	Caffyns 50p	400	.....	11.5	1.0	3.8	36.9
121	89	Central Motor Auctns	92	.....	13.25	3.2	4.8	8.7
61	21	Cook (D.C.) Hldgs	21	.....	1.0	5.3	6.3	4.0
89	33	Cowie (T.) 5p	47	.....	4.2	1.5	11.9	6.5
95	56	Dagenham Motors 10p	76	–2	15.25	2.8	9.2	5.3
98	73	Davenport Vernon 10p	75	.....	3.5	3.6	6.2	5.2
247	163	Evans Halshaw	167	.....	11.25	2.4	9.0	6.1
113	68	Gates (F.G.)	75	.....	2.75	1.9	4.9	14.1
161	25	Gowrings 10p	33	.....	5.63	1.0	22.7	5.7
81	44	Jacks Wm.	44	.....	12.0	1.0	–	21.6
118	44	Jessups	44	–2	7.0	1.0	21.2	6.4
297	162	Lex Service	164	–3	15.3	1.9	12.4	5.8
147	50	Lookers	71	+1	6.2	3.9	11.6	2.9
43	21	Malaya Group 10p	25	.....	2.0	♦	10.7	♦
133	85	Pendragon	94	.....	21.8	–	2.6	[illegible]
178	99	Perry Group	103	+3	9.0	1.4	11.7	[illegible]
133	51	Quicks Group 10p	56	.....	6.0	3.0	14.3	[illegible]
238	150	Sanderson Murray Elder	202	.....	–	–	–	[illegible]
26½	13½	Trimoco 10p	14½	.....	1.4	2.4	12.9	[illegible]
£222	£120	Do. 11½pc Ln '96	£132½	+2½	Q11.5	–	8.7	–
86	68	Wardy (Reg) 10p	74	.....	3.6	3.4	6.5	8.2

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	NAV	Dis or (Pm)
641	295	South East Asian Wrnts	304	+9	–	–	–	–
31	25	Sterling Trust 10p	29	.....	3.0	4.3	13.8	2.2
190	145	Stratagem Grp 20p	145	.....	4.0	♦	3.7	♦
153	119	Sumit 100p	119	.....	K5.8	1.3	6.5	16.7
249	168	Templeton Garth 50 01	175	–1	†Q13c	2.7	3.8	8.8
1260	589	Thai Euro Fd. Ptg.	687	+16	–	–	–	–
£128¾	£94¾	Topdanmark DK100	£97	.....	Q10%	16.3	0.8	68.4
43½	0¼	Tranwood 5p	2¼	.....	2.25	2.0	–	0.5
90	23	Tyndall Hldgs	23	–1	‡5.5	0.7	‡	(6.6)
8¾	6¼	Warrior Industries	8½	.....	–	–	–	–
115	97	Westpool Inv.	105xd	.....	2.2	1.6	2.8	29.5
44	36	Yelverton Inv. 5p	38	–1	‡1.0	2.4	3.5	26.1

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
288	210	Anglian Water £1	266	–1	L15.32	1.5	6.2	13.4
£109	£101¼	Chester Water 5½pc Ln 2008	£109	.....	Q5½%	–	4.7	–
150	135	East Surrey Water 10p	139	.....	23.0	–	3.0	–
305	175	Mid Kent Hldgs	175	.....	7.5	♦	5.7	♦
278	207	North West Water Grp	262	–1	L15.71	2.1	6.4	8.4
269	215	Northumbrian Water	275	.....	L16.04	3.7	6.3	4.7
248	190	Severn Trent	242	.....	L14.85	3.1	6.4	5.8
251	190	Southern Water	248	–1	L15.03	2.5	6.4	7.1
281	202	South West Water	264	.....	L17.43	2.7	7.0	6.0
275	197	Thames Water	278	.....	L15.11	2.0	6.0	9.5
288	212	Welsh Water	277	+1	L16.76	2.9	6.6	5.8
269	203	Wessex Water	264	.....	L15.21	2.6	6.2	7.0
289	212	Yorkshire Water £1	279	+4	L15.42	1.5	6.1	13.1

OIL AND GAS

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
25½	12	Aberdeen Pet 10p	13½	.....	–	–	–	27.7
14½	7	AmBrit Intl	8	.....	–	–	–	–
69	28	Aran Engy 20p	32	+2	–	–	–	–
13	4¼	Atlantic Res In£.05	4¼	.....	–	–	–	–
39	29½	Atlantis Res.	31	.....	–	–	–	–
47	10¼	Aviva Petroleum	16	+1	–	–	–	–
10	2	Barrack Energy 10c	3¼	.....	–	–	–	–
40	25	Blackland Oil 10p	25	–½	–	–	–	–
27	11	Blystad Group 1p	11	–1	–	–	–	14.2
764	600	Bow Valley	656	+10	40c	–	3.1	–
160	155	Brabant £1	155	.....	–	–	–	–
47	26	Bridge Oil	27	–2	–	–	–	–
740	600	Brit. Borneo 10p	610xr	.....	L21.3	1.4	4.7	17.7
245	185½	British Gas	230	+3	†10.5	2.0	6.2	10.2

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being [illegible] in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	780	.....
Finlay Pkg. 5p	36	–2
Holt (Jos) 25p	1345	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98¼	.....
9pc Cap Ln. 1996	£93¼	.....
Fin. 13% 97/02	£109¾	.....
Arnotts	155	.....
Carroll (P.J.)	114	.....
Heiton Hldgs	46	–3
IRG	135	.....
United Drug	135	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	49
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	[illegible]
Hanson	[illegible]
Hawker Sidd.	[illegible]
ICI	[illegible]
Ladbroke	22
Legal & Gen.	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	38
TSB	11
Tesco	19
Thorn EMI	58
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	83

Property

Stock	p
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Stock	p
Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

Stock	p
Lonrho	19
RTZ	48

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	39.93	40.35	42.92	+0.74	6.38
Gilts & Fixed Int	6	110.2	110.2xd	116.9	-0.3	9.84
High Inc Equity	6	114.8	118.1xd	125.6	-0.1	5.06
Worldwide Bond	6	192.4	192.4	203.9	+0.1	7.36
Capital Growth						
American Growth	6	149.0	149.0xd	159.3	+2.2	1.21
Asian Pacific	6	95.89	95.89	102.5	+0.9	0.20
Assets & Earnings	6	143.6	143.6	153.5	.....	3.53
Capital Reserve Acc	0	100.4	100.4	100.5	.....	7.10
Capital Reserve Inc	0	84.27	84.27	84.38	-0.06	7.11
Comdty & Energy	6	71.19	71.19	76.13	+0.79	1.30
1992 Enterprise	6	54.15	54.15	57.91	+0.08	3.68
Euro Capital Acc	6	80.31	80.31	85.89	-0.61	1.39
Euro Capital Inc	6	77.11	77.11	82.47	-0.58	1.39
General	6	148.00	148.0	158.2	-0.1	3.16
Japan	6	80.88	80.88	86.50	-0.45	0.00
Mastertrust	6	75.12	75.12	80.34	+0.14	3.20
UK Growth Acc	6	132.2	132.2	141.3	+0.2	3.12
UK Growth Dist	6	85.47	85.47	91.41	+0.09	3.12
US Emerging Cos	[illegible]	43.02	43.02	46.01	+0.84	0.00
Income & Growth	[illegible]	260.5	260.5	278.6	-0.1	3.68
Ethical		40.87	40.87	43.71	+0.10	2.29
International	6	50.27	50.27	53.76	+0.10	0.93
Dividend & Growth	6	40.51	41.64xd	44.29	.....	5.08
Global Gwth & [illegible]	6	47.75	48.10	51.16	+0.15	1.95

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	24.22	24.22	[illegible]	[illegible]	[illegible]
Cash		50.48	50.48xd	[illegible]	[illegible]	[illegible]
European	5¼	64.08	64.08	[illegible]	[illegible]	[illegible]
European Income	5¼	68.07	68.59xd	[illegible]	[illegible]	[illegible]
Exempt	1	660.7	660.7xd	[illegible]	[illegible]	[illegible]
Exempt Income	3¼	152.0	152.0xd	[illegible]	[illegible]	[illegible]
Exempt American	3¼	283.5	283.5	[illegible]	[illegible]	[illegible]
Exempt Pacific	3¼	181.3	181.3xd	[illegible]	[illegible]	[illegible]
Extra Income	5¼	35.12	35.12xd	[illegible]	[illegible]	[illegible]
Far East Emerg Econs	5¼	38.72	38.79	[illegible]	[illegible]	[illegible]
Fund Inv Tst	5	95.41	95.41	[illegible]	[illegible]	[illegible]
Fund Inv Tst Acc	5	151.8	151.8	[illegible]	[illegible]	[illegible]
Gilt & Fixed Int	5¼	15.78	15.90xd	[illegible]	[illegible]	[illegible]
Japan	5¼	132.0	138.0	[illegible]	[illegible]	[illegible]
Pacific	5¼	27.72	27.72	[illegible]	[illegible]	[illegible]
Property Share	5¼	47.92	49.22xd	[illegible]	[illegible]	[illegible]

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	70.12	71.48	76.30	-0.04	3.42
Mngd P'folio Acc	6	125.0	127.4	136.0	-0.10	[illegible]
UK General	6	101.0	101.0	107.6	-0.10	[illegible]
Cons & General	6	16.75	16.75xd	17.84	+0.15	[illegible]
European Inc	6	18.21	18.42	19.64	+0.08	[illegible]
European Acc	6	18.61	18.83	20.08	+0.09	—
Exempt	3	247.4	247.4	262.5	+0.30	4.99
Financial	6	102.1	102.1	108.7	+0.10	6.20
German	6	32.48	32.57	34.79	+0.16	0.12
High Income	6	59.06	59.06	62.90	+0.11	8.12
Income	6	82.77	87.07	92.29	-0.19	6.10
Intl Income	6	71.39	71.39xd	76.03	-0.19	5.07
Intl Growth ‡	6	22.56	22.56	24.02	+0.26	0.29
Monthly Income	6	47.01	48.84	51.82	-0.04	5.42
North American	6	52.19	52.19xd	55.58	+0.84	0.39
Orient ‡	6	83.91	83.91	89.36	-0.37	—
PEP	5	48.84	48.84	51.55	-0.05	5.02
Recovery	6	30.84	31.20xd	33.33	+0.49	2.89
Smaller Cos Acc	6	162.8	162.8	173.5	-1.70	—
Smaller Cos Inc	6	98.38	98.38	104.8	-1.10	2.84

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	162.7	162.7	169.5	.....	6.96

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, [illegible] 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	[illegible]	[illegible]	46.25	+0.08	4.73
(Accum Units)	5¼	[illegible]	[illegible]	48.55	+0.08	4.73
Fellowship Tst ♥	5¼	[illegible]	[illegible]	52.95	+0.11	4.32
(Accum Units) ♥	5¼	[illegible]	[illegible]	56.24	+0.12	4.32
General Inc	5¼	[illegible]	[illegible]	250.4	-0.6	4.36
(Accum Units)	5¼	[illegible]	[illegible]	443.7	-1.2	4.36
Income	5¼	[illegible]	[illegible]	146.3	+0.1	5.19
(Accum Units)	5¼	[illegible]	[illegible]	303.5	.....	5.19
International ♥	5¼	[illegible]	[illegible]	85.43	+0.03	2.40
(Accum Units) ♥	5¼	[illegible]	[illegible]	118.0	.....	2.40
Smaller Co's	5¼	[illegible]	[illegible]	84.42	+0.26	3.39
(Accum Units)	5¼	[illegible]	[illegible]	96.11	+0.28	3.39
Inv Portfolio ♥	3	44.69	44.69	46.25	+0.01	4.32
(Accum Units) ♥	3	47.49	47.49	49.15	+0.01	4.32
High Income Port ♥	3	40.30	40.30	41.71	+0.17	6.52

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	60.71	60.71	61.59	+0.05	2.71

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CCF Sel High Inc Eqty	5¼	42.22	43.02xd	45.77	-0.01	6.07
CCF Sel High Inc Eq Acc	3	44.17	45.00xd	47.89	.....	6.07
CCF Sel Intl Gwth	5¼	38.12	38.12xd	41.23	-0.59	[illegible]
CCF Sel Inv Tst	5¼	41.71	43.58	46.37	-0.11	[illegible]
CCF Sel Inv Tst Acc	5¼	42.26	44.16	47.00	-0.10	[illegible]
CCF Sel UK Sm Co's	5¼	40.52	41.91xd	44.59	-0.02	2.42
CCF Sel UK Sm Co Acc	5¼	40.82	42.23xd	44.92	-0.03	2.42

Martin Currie Unit Trusts Ltd ([illegible]05)H
48 Melville St, Edinburgh EH3 7HF Dlngs 031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific) ♦	5¼	75.94	75.94	80.61	+0.45	0.52
Income & Growth	5¼	51.34	51.34	54.50	-0.04	5.89
European (z)	5¼	48.40	48.40	51.38	+0.2	1.14
Nth American (z)	5¼	29.70	29.70	31.53	+0.43	1.66
Intl Growth(9-1)	5¼	49.80	50.91	54.04	+0.41	0.93
UK Growth	5¼	45.81	45.81	48.63	-0.06	3.56
Intl Income	5¼	41.19	41.69xd	44.29	+0.43	7.34
High Yield	5¼	39.56	40.14xd	42.61	+0.12	8.64
Charities	5¼	79.42	80.66	85.62	+0.19	7.14
Japan	5¼	32.43	32.43	34.42	-0.24	—

Matheson Unit Trust Managers Ltd (1200)H
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth (14-1)	6	57.80	57.80	[illegible]	-0.14	4.00
UK High Income	6	30.32	30.32	[illegible]	-0.03	6.23

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	25.03	25.03xd	26.69	+0.39	1.91
(Accum Units) ♥	5¼	26.79	26.79	28.57	+0.43	1.91
Australian ♥	5¼	133.40	134.00	143.70	+1.90	2.49
(Accum Units) ♥	5¼	151.90	152.50	163.60	+1.70	2.49
Conscience	5¼	42.21	43.18xd	46.08	+0.14	1.69
(Accum Units)	5¼	44.27	45.29	48.33	+0.14	1.69
European	5¼	124.80	126.10	134.90	-1.80	1.16
(Accum Units)	5¼	131.70	133.20	142.00	-1.80	1.16
Extra Income	5¼	56.79	57.79	61.67	+0.03	9.91
(Accum Units)	5¼	76.14	77.47	82.67	+0.04	9.91
Far East Gth Acc ♥	5¼	89.79	89.79	95.98	-2.61	0.32
Gilt & F.I	5¼	51.18	51.18	54.17	-0.14	9.25
(Accum Units)	5¼	104.10	104.10	110.10	-0.30	9.25

Guide to pricing of Authorised Unit Trusts
Compiled with [illegible] Lautro [illegible]

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	105.1	105.82	112.57	+2.1	0.76
Do Accum	6	114.88	115.67	123.05	+2.3	0.76
TSB Brit Growth	6	63.12	64.12	68.21	-0.1	3.97
Do Accum	6	69.79	70.89	75.41	-0.1	3.97
TSB European	6	62.86	62.86	66.87	-0.18	1.35
Do Accum	6	65.14	65.14	69.29	-0.18	1.35
TSB Extra Income	6	138.1	139.74	148.65	-1.81	6.2
Do Accum	6	195.31	197.62	210.23	-2.57	6.2
TSB Smaller Cos	6	37.56	38.44	40.89	-0.96	3.4
Do Accum	6	39.38	40.3	42.87	-1.01	3.4
TSB General	6	193.56	193.56	205.91	-2.90	4.34
Do Accum	6	354.85	354.85	377.5	-4.74	4.34
TSB Premier Income	5	41.5	41.5	43.22	-0.45	9.82
Do Accum	5	72.96	72.96	[illegible]	-0.8	9.82
TSB Income	6	254.28	259.58	[illegible]	-1.09	6.05
Do Accum	6	472.7	482.55	513.35	-2.02	6.05
TSB Pacific	6	186.91	188.65	200.69	-0.78	0.56
Do Accum	6	194.48	196.31	208.83	[illegible]	0.56
TSB International	6	320.15	320.15	340.58	[illegible]	1.7
Do Accum	6	410.66	410.66	436.87	[illegible]	1.7
TSB Nat Resources	6	54.2	55.5	59.04	[illegible]	1.47
Do Accum	6	58.8	60.21	64.05	[illegible]	1.47
TSB Scud Opps	6	67.36	68.19	72.54	-1.12	4.01
Do Accum	6	80.39	81.38	86.57	-1.34	4.01
Environmental Inv	6	39.56	39.56	42.08	-0.44	2.69
Do Accum	6	40.46	40.46	43.04	-0.45	2.69
TSB Selector	6	41.14	41.88	44.55	-0.17	4.76
Do Accum	6	42.39	43.15	45.9	-0.18	4.76
TSB High Income	6	43.65	44.44	47.27	-0.24	6.66
Do Accum	6	44.94	45.75	48.67	-0.25	6.66
TSB Intl Income	6	47.42	47.6	50.63	-0.28	7.01
Do Accum	6	47.42	47.6	50.63	-0.28	7.01
TSB Selector Income	6	44.46	45.01	47.88	-0.12	6.89
Do Accum	6	44.46	45.01	47.88	-0.12	6.89

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312136

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	59.87	59.87xd	63.88	-0.30	1.21
Australia	5	5.048	5.048	5.403	+0.07	4.96
Equity	5	138.9	138.9	149.2	+0.2	5.16
Euro Spec Sits	5	91.88	91.88	98.74	-1.00	0.70
Financial	5	24.50	24.50	26.40	-0.19	5.66
Global Opps Inc	5	54.93	54.93xd	59.14	-0.26	1.80
Global Opps Acc	5	56.12	56.12	60.42	-0.27	1.80
Gold & Gen Inc	5	35.07	35.07	37.71	+0.26	1.46
Gold & Gen Acc	5	65.56	65.56	70.50	+0.49	1.46
Income	5	87.15	87.15xd	93.91	-0.31	6.82
Japan & General	5	107.6	107.6	115.7	-0.4	0.00
Preference Share	5	17.02	17.02xd	18.30	-0.29	14.50
UK Capital	5	76.57	76.57	82.27	-0.44	4.25
World Income	5	53.75	53.75xd	57.87	-0.12	6.05
Worldwide Capital	5	142.2	142.2	153.1	-0.71	3.57

Templeton Unit Trust Managers Ltd (1200)F

M [illegible] Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gros
Chargifund	99.0	99.0	-0.1	10.91
(Accum Units)	324.9	324.9	-0.7	10.91
MAACIF Dec 31		39.5		10.30

MIM Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gros
Intl Mngd P'Folio	946.0	1022.0		
Mngd Pens (Acc)	56.5	60.2		

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gros
UK Equity † Dec 31	111.1	119.2		3.22
UK Small Co † Dec 31	423.2	464.8		2.89
Fixed Interest † Dec 31	100.7	105.9		8.55
US Small Co Dec 31	105.7	115.1		0.00
Managed Dec 31	95.36	101.4		2.59
Intl Bond Dec 31	106.9	112.7		0.00
Japan Dec 31	60.68	64.85		1.05
European Dec 31	76.74	82.15		1.78
Nth American Dec 31	80.56	86.44		1.60

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gros
Amer Expt Jan 3	40.1	41.7	-1.10	2.42
Euro Expt Jan 3	45.5	47.7	-0.70	2.69
Fixed Int Ex Jan 3	43.7	44.6		11.45
Japan Expt Jan 3	37.8	39.4	-0.80	0.72
Managed Ex Jan 3	38.4	39.9	-0.50	5.07
SE Asia Expt Jan 3	54.8	57.9	-1.90	7.04
Sm Cos Expt Jan 3	27.5	28.8	-1.00	5.90
UK Eqty Ex Jan 3	35.9	37.6	-0.70	4.84

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gros
Small Co's Jan 1	589.63	621.9		5.97
Do Accum	662.4	709.8		5.97
Int Expt Jan 2	144.60	146.20		3.0
UK Index Jan 2	990.8	1012.0		5.76
Do Accum	1059	1080		5.76
Convertible Jan 4	80.31	82.94	-0.30	8.83
World ex UK Index Jan 2	647.10	655.7		2.97
Do Accum	653.46	662.15		2.97
Japan Index Jan 2	509.0	517.30		0.57
Do Accum	510.0	518.2		0.57
USA Index Jan 2	775.3	780.5		3.43
Do Accum	786.2	791.4		3.43
Europe ex UK Index Jan 2	767.5	786.6		3.04
Do Accum	779.4	798.7		3.04
Pacific ex Jap Index Jan 2	713.4	734.0		5.8
Do Accum	726.4	747.8		5.7
Managed Exempt Jan 2	89.95	91.65		5.27
American Exempt Jan 2	103.0	104.5		3.7
European Exempt Jan 2	101.1	101.6		3.54
Japan Exempt Jan 2	94.86	96.07		0.39
Pacific Basin Jan 2	95.70	98.23		4.46

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2948

	Bid Price	Offer Price	+ or −	Yield Gross
Life Managed Fd	89.7	94.4	−0.2	—
Pension Managed Fd	85.7	90.2	−0.3	—
Life Deposit Fd	103.5	109.0	+0.1	—
Pension Deposit Fd	107.1	112.7	+0.1	—

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	97.4	102.6	—	—
Managed Growth	117.8	124.1	—	—
Managed Opportunity	113.8	119.8	—	—
NFMC Target Financial	86.4	91	—	—
Pension Funds				
Managed Cautionary	105.6	111.2	—	—
Managed Growth	125.4	132	—	—
Managed Opportunity	117.5	123.7	—	—
NFMC Target Mngd Pen	1320.3	1389.8	—	—

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Harvester Pension Funds				
Managed	141.5	149.0	—	—
UK Equity	147.3	155.1	—	—
Overseas Equity	112.2	118.2	—	—
Fixed Interest	133.6	140.7	—	—
Property	126.8	133.5	—	—
Index Linked	143.1	150.7	—	—
Deposit	148.3	156.2	—	—
With Profits (B)	124.5	131.1	—	—

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pioneer Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Pacific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or −	Yield Gross
Initial Equity	137.5	145.5	—	—
Accum Equity	194.0	205.0	+0.5	—
Accum Managed	198.5	209.0	—	—
Accum Five Star	147.5	156.0	−1.0	—
Accum World	106.5	113.0	—	—
Accum Lifetime	100.3	100.3	−0.3	—
Pens Acc Equity	202.5	214.0	+0.5	—
Pens Acc Managed	234.5	247.0	—	—
Pens Acc Intl	166.5	176.0	+0.5	—
Pens Acc Deposit	189.0	199.5	—	—
Pens Acc Five Star	155.0	163.5	−1.5	—

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	195.8	206.6	−0.5	—
UK Fixed Int Acc	165.5	174.6	+0.3	—
Intl Equities Acc	147.3	155.4	−0.5	—
UK Managed Acc	155.0	163.5	−0.2	—
Property Acc	223.6	235.9	−0.1	—
Money Acc	124.5	131.4	+0.1	—
Special Market Acc	120.0	126.6	+0.7	—
Japan Equity Acc	86.1	90.9	−1.1	—
North American Acc	83.4	88.0	+1.3	—
Pacific Acc	73.4	77.5	+0.2	—
Technology Acc	92.8	97.9	+0.5	—
Nat Resources Acc	52.3	55.2	−0.8	—
European Acc	88.9	93.8	−0.5	—
Residential Prop Acc	95.9	101.2	—	—
Swiss Equities Acc	30.3	32.0	−0.3	—
Hong Kong Acc	46.7	49.3	+0.5	—
UK High Inc Eq Acc	63.3	66.8	−0.1	—
Int Fixed Interest Acc	53.4	56.4	+0.1	—
Int Managed Acc	49.7	52.4	−0.1	—
HIP Managed Acc	99.0	104.4	+0.1	—

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Shield Assurance Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albion Intl Assurance (Bermuda) Ltd

MANAGEMENT SERVICES

The Analysis Group PLC

Bryan Wallis & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fleming International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

Chase de Vere PLC
63 Lincoln's Inn Fields, London WC2A 3JX 071-404 5766

	Bid Price	Offer Price	+ or −	Yield Gross
New Trust Fd	97.6	102.7	+0.1	—
Safeguard Fd	91.1	95.9	+0.2	—
United Kingdom Fd	137.3	144.3	−1.5	—
Worldwide Fd	97.0	102.1	−0.5	—

Drummond Moores Plc

ECU Polaris Plc

Edinburgh Money Management Ltd

Fairmount Glen Rd

Gartmore Fund Managers Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Meadway & Davis F.S. Ltd

Northern Stage & Partners

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Shaw (Albert E.) & Co.

South Yorks Investment Management

Towry Law & Co

J. & A. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Guinness Flight Fd Mngrs—Contd.

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2.623	2.680	—	—
New Generation Fd $	$19.89	20.10	—	—
Japan Index Alpha	Y7.992	8.111	—	—
Jap Sector Rotation	Y6.698	6.796	—	—
Jap Cap Grth CB	[illegible]	[illegible]	—	—
Prudential Intl Financial Services Ltd				
Reliance Currency Fund				
Managed Sterling	130.8	131.3	+0.6	10.70
Managed Dollar	$14.20	14.25	-0.09	7.61
Sterling Deposit	100.0	100.0	—	10.37
Dollar Deposit	$10.00	10.00	—	—
DM Deposit	DM50.66	50.85	—	6.17
SwFr Deposit	SFr30.00	30.00	—	—
J. Yen Deposit	Y5,055	5,075	—	3.29
Saudi International (Guernsey) Ltd				
Intl Bond	$10.33	10.51	—	—
Intl Dollar	$10.30	10.31	—	—
Intl Equity	$10.34	10.90	—	—
Falcon High Income	$89.37	89.37	—	—
Sovereign Asset Management Limited				
Olympic Options Ltd	£9.1497	9.4346	—	—
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.47	11.53	—	—
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$745.73		—	—
Fixed Income Shares	$968.14		—	—
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Maxa Growth	$10.06		-0.12	—
Yamaichi ISS Fund	$7.02		-0.13	—
Yamaichi CB Plus Fund	$7.73		-0.12	—
Thai New Fund	$9.0[illegible]		—	—

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin 010 353 1760 630						
GAM Universal US Dlr Acc		$-	103.13			—
GAM Universal US Dlr Inc		$-	103.13			—
GAM Universal DM Acc		DM-	101.01			—
GAM Universal DM Inc		DM-	101.01			—
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0.94	1.01	-0.01	—

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63 Bond Street, St Helier, Jersey 0534 76029						
Stg Fixed Int	5½	1.128	1.128	1.196	+0.02	9.97
Offshore High Yield	5½	1.436	1.436	[illegible]	+0.01	14.55
Global Equity Fund	5½	$12.40	12.90	[illegible]	-0.28	1.13
European Equity	5½	DM15.84	15.84	[illegible]	+0.03	1.53
UK Growth (£ Fund)	5½	£4.057	4.057	[illegible]	-0.01	3.75
Nth American Eqty	5½	$8.530	8.530	[illegible]	-0.01	0.75
Far Eastern Eqty	5½	$8.595	8.680	[illegible]	-0.09	0.79
Intnl. Bond Fund						
Sterling Managed	5½	£9.835	9.835	[illegible]	-0.02	[illegible]
US Dollar Managed	5½	$13.16	13.16	[illegible]	-0.07	[illegible]
International Currency Fund						
Sterling Managed	5½	£24.87	24.87	[illegible]	+0.10	—
US Dollar Managed	5½	$29.03	29.03	[illegible]	-0.01	—
Sterling	0	£23.86	23.86	[illegible]	-0.03	13.86
US Dollar	0	$37.24	37.24	[illegible]	-0.50	6.80
Deutschemark	0	DM38.35	38.35	[illegible]	+0.04	7.74
Japanese Yen	0	Y4,742	4,742	[illegible]	+3	6.95
Swiss Franc	0	SF45.57	45.57	[illegible]	-0.02	7.29
Irish Punts	0	I£22.40	22.40	[illegible]	-0.01	7.59
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	1.0162	1.0162	1.0763	[illegible]	[illegible]
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey [illegible]						
Lloyds Tst. Gilt	2½	9.113	9.131	[illegible]	[illegible]	11.95
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Circuit Portfolio	[illegible]	86.57	86.57	91.80	+0.34	0.00
Gilt	3	89.66	89.66	92.44	-0.02	12.44
Royal Trust Jsy Fd Mngt Ltd (2400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	54.90	54.90	57.35	-0.29	11.55
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.46	101.46	104.58	-0.10	13.30
Gilt & Fixed Interest	5	100.18	100.18	105.20	-0.16	11.63
Blue Chip & Gilt Edge	5	43.90	43.90	46.62	-0.04	6.22
International Bond	5	100.97	100.97	106.04	-0.46	7.52
UK Equity	5	81.17	81.17	87.25	-0.04	1.62
International Equity	5	82.08	82.08	87.88	+0.72	0.43
Far Eastern	5	72.42	72.42	77.31	+0.18	0.00
European	5	66.32	66.32	70.18	-0.43	0.42
Pan American	5	79.61	79.61	84.52	+1.41	0.79
TSB Gilt Fund Ltd						
Quarterly Share	3	93.86	93.86	96.83	-0.13	11.36
Monthly Share	3	93.60	93.60	96.55	-0.13	11.36

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fears of war boost dollar

PESSIMISM that tomorrow's [illegible] between Mr James Baker, US secretary of state, and Mr Tareq Aziz, Iraqi foreign minister, would find a way of averting war in the Gulf led to increased demand for the dollar yesterday. Weak [illegible] economic fundamentals failed [illegible] prevent the market returning [illegible] the dollar as a [illegible] haven at a time of international tension.

Iraq's President Saddam Hussein [illegible] his troops to prepare for war and threatened [illegible] the conflict around the world, while Mr [illegible] indicated that the US [illegible] not in favour of extending the January [illegible] deadline for Iraq to withdraw from Kuwait.

There [illegible] no fresh economic [illegible] yesterday, but the dollar's improvement happened in [illegible] of last [illegible] depressing news for the currency, which included a record fall in [illegible] factory orders, rising unemployment and [illegible] bank prime rates.

[illegible] the London close, the dollar had climbed [illegible] from DM1.5060; [illegible] from Y135.10; [illegible] from SFr1.2755; and [illegible] FFr5.2025 from FFr5.1100. [illegible] Bank of England figures [illegible] dollar's index [illegible] up 0.9 [illegible] 62.1.

Sterling lost ground to the surging dollar, but improved against [illegible] partners in [illegible] European Monetary System. Data produced by the European Commission, during the European afternoon, showed the pound as the weakest EMS exchange rate mechanism member, but shortly [illegible] the London [illegible] sterling moved slightly above the French [illegible] and Danish krone.

[illegible] comments by Mr John Major, the UK prime minister, and Mr Norman Lamont, chancellor of the exchequer, [illegible] appeared to [illegible] out [illegible] early [illegible] in British interest [illegible] or [illegible] devaluation [illegible] sterling within [illegible] ERM. This, [illegible] pled with a general weakening [illegible] the D-Mark, provided the pound with support.

Sterling [illegible] to [illegible], but [illegible] to DM2.9200 from DM2.9125. It also improved to FFr9.9150 from [illegible], while declining [illegible] from [illegible] and [illegible] from [illegible]. The pound's index lost 0.4 to 93.8. In New York, sterling finished 15 points lower at $1.9045.

In Frankfurt the D-Mark fell to its lowest close against the dollar since October [illegible] and to its weakest finish against sterling since November [illegible].

The position of [illegible] US and UK as oil producers, as dealers became increasingly worried about [illegible] starting in the Gulf, boosted the dollar and pound. The D-Mark also weakened on fears about the cost of [illegible] unity and speculation [illegible] the Bonn government would be forced to resort to heavy borrowing. Uncertainty about [illegible] political situation in the [illegible] Union continued to weigh on the D-Mark.

[illegible] fixing the D-Mark [illegible] to FFr3.3900 from [illegible] and in Milan the D-Mark fell [illegible] L751.17 from [illegible] without [illegible] intervention from the Bank [illegible] Italy.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.901	-2.79	3.72	49
Belgian Franc	42.4032	42.2212	-0.43	1.26	23
D-Mark	2.05586	2.04854	-0.36	1.19	26
Dutch Guilder	2.31643	2.30954	-0.30	1.13	17
Irish Punt	0.767417	0.765650	-0.23	1.06	13
Italian Lira	1538.24	1539.07	0.05	0.77	0
Danish Krone	7.84195	7.88608	0.56	0.26	-23
French Franc	6.89509	6.94917	0.78	0.04	-40
Sterling	0.696904	0.702679	0.83	0.00	-14

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.7	Close	Previous Close
£ Spot	1.9040-1.9050	1.9345-1.9355
1 month	1.11-1.09pm	1.09-1.08pm
3 months	2.86-2.83pm	2.98-2.96pm
12 months	9.05-8.95pm	9.33-9.26pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

Jan 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8900 - 1.9175	1.9055 - 1.9065	1.11-1.09cpm	6.93	2.85-2.82pm	5.95
Canada	2.1940 - 2.2130	2.1970 - 2.1980	0.51-0.42cpm	2.54	1.32-1.18pm	2.28
Netherlands	3.2815 - 3.3000	3.2900 - 3.3000	1⅛-1¼cpm	4.78	3⅛-3¼pm	3.95
Belgium	59.80 - 60.30	60.10 - 60.20	26-21cpm	4.69	60-51pm	3.69
Denmark	11.1735 - 11.2605	11.2300 - 11.2400	4-3⅝orepm	4.07	9½-8¼pm	3.25
Ireland	1.0890 - 1.0950	1.0905 - 1.0915	0.34-0.28cpm	3.41	0.73-0.59pm	2.42
Germany	2.9105 - 2.9250	2.9175 - 2.9225	1⅜-1¼pfpm	5.39	3⅛-2⅞pm	4.11
Portugal	258.75 - 261.70	260.70 - 261.70	95-56cpm	3.47	90-27pm	0.90
Spain	183.95 - 185.35	184.75 - 185.05	par-⅛cdis	0	⅛-⅛dis	-0.01
Italy	2185.60 - 2197.40	2195.25 - 2196.25	5-1lirepm	1.64	10-8pm	1.64
Norway	11.3685 - 11.4475	11.4075 - 11.4175	2⅞-2⅛orepm	2.76	5⅞-5⅛pm	1.97
France	9.8625 - 9.9245	9.9100 - 9.9200	3⅞-3⅛cpm	4.24	8⅛-8pm	3.28
Sweden	10.8605 - 10.8945	10.8725 - 10.8825	⅛-⅝oredis	-0.55	2-2⅝dis	-0.85
Japan	260.00 - 260.70	260.00 - 261.00	1⅜-1¼ypm	6.05	3⅝-3½pm	5.47
Austria	20.45 - 20.55	20.50 - 20.55	8⅞-7⅝gropm	4.82	22⅛-19½pm	4.09
Switzerland	2.4575 - 2.4695	2.4575 - 2.4675	1⅛-1⅛cpm	5.79	3-2⅞pm	4.67
Ecu	1.4115 - 1.4190	1.4180 - 1.4190	0.48-0.43cpm	3.85	1.12-1.07pm	3.09

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.18-5.13cpm. 12 Month 9.00-8.90cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8900 - 1.9175	1.9055 - 1.9065	1.11-1.09cpm	6.93	2.85-2.82pm	5.95
Ireland†	1.7365 - 1.7570	1.7455 - 1.7465	0.51-0.46cpm	3.33	1.58-1.48pm	3.51
Canada	1.1510 - 1.1570	1.1525 - 1.1535	0.40-0.43cdis	-4.32	1.01-1.06dis	-3.59
Netherlands	1.7140 - 1.7385	1.7280 - 1.7290	0.28-0.32cdis	-2.08	0.87-0.93dis	-2.07
Belgium	31.35 - 31.75	31.50 - 31.60	5.80-6.20cdis	-2.28	16.00-20.00dis	-2.28
Denmark	5.8400 - 5.9260	5.8925 - 5.8975	1.35-1.55oredis	-2.95	3.75-4.35dis	-2.75
Germany	1.5160 - 1.5430	1.5320 - 1.5330	0.20-0.22pfdis	-1.64	0.70-0.73dis	-1.87
Portugal	136.75 - 137.40	137.00 - 137.10	25-40cdis	-2.85	160-200dis	-5.25
Spain	96.35 - 97.70	95.40 - 95.50	58-62cdis	-7.54	162-170dis	-6.96
Italy	1140.00 - 1157.10	1151.75 - 1152.25	4.30-4.90liredis	-4.79	12.20-13.20dis	-4.41
Norway	5.9375 - 6.0330	5.9850 - 5.9900	1.95-2.30oredis	-4.26	5.80-6.30dis	-4.04
France	5.1575 - 5.2300	5.2000 - 5.2050	1.14-1.19cdis	-2.60	3.38-3.48dis	-2.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

STERLING INDEX

	Jan.7	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jan 7	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Jan.4

CURRENCY RATES

Jan 7	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

† European Commission Calculations. * All SDR rates are for Jan.4

EURO-CURRENCY INTEREST RATES

Jan 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Jan 7	£	$
[illegible]	[illegible]	[illegible]
Hong Kong	14.8020 - 14.8160	7.7965 - 7.7985
Iran	125.70*	64.10*
Korea(Sth)	1368.95 - 1391.05	713.90 - 719.90
Kuwait	N/A	N/A
Luxembourg	60.10 - 60.20	31.50 - 31.60
Malaysia	5.1610 - 5.1695	2.7190 - 2.7210
Mexico	5594.50 - 5616.75	2950.00 - 2960.00
N Zealand	3.2150 - 3.2200	1.6905 - 1.6935
Saudi Ar.	7.1420 - 7.1830	3.7490 - 3.7510
Singapore	3.3385 - 3.3460	1.7560 - 1.7580
S.Af (Cm)	4.8840 - 4.8965	2.5820 - 2.5835
S.Af (Fn)	6.4715 - 6.5825	3.4015 - 3.4600
Taiwan	51.55 - 51.65	27.10 - 27.15
U.A.E.	6.9950 - 7.0355	3.6720 - 3.6740

* Selling rate

EXCHANGE CROSS RATES

Jan 7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.342	0.653	1	89.21	3.396	0.843	1.128	752.1	0.752	20.60
YEN	3.839	7.317	11.21	1000.	38.06	9.451	12.65	8430	8.434	230.9
F Fr.	1.009	1.922	2.945	262.7	10.	2.483	3.323	2215	2.216	60.67
S Fr.	0.406	0.774	1.186	105.8	4.027	1	1.338	892.0	0.892	24.43
H Fl.	0.303	0.578	0.886	79.06	3.009	0.747	1	666.5	0.667	18.25
Lira	0.455	0.868	1.330	118.6	4.515	1.121	1.500	1000.	1.000	27.39
C $	0.455	0.868	1.329	118.6	4.513	1.121	1.500	999.5	1	27.38
B Fr.	1.663	3.169	4.855	433.1	16.48	4.093	5.478	3651	3.653	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX; POUND-$ (FOREIGN EXCHANGE); 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 INDEX (MATIF); PHILADELPHIA SE £/$ OPTIONS; CHICAGO: U.S. TREASURY BONDS (CBT); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	92.27	92.30	92.26	92.37
Jun	92.04	92.06	92.02	92.13
Sep	91.84	91.86	91.82	91.93
Dec	91.61	91.63	91.60	91.70

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Mar	[illegible]	0.7754	0.7675	0.7824
Jun	[illegible]	0.7730	0.7650	0.7800
Sep	[illegible]	-	0.7650	0.7779
Dec	[illegible]	-	0.7640	0.7764
Mar	[illegible]	-	-	-

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Mar	317.55	321.90	317.20	323.25
Jun	320.25	324.60	320.00	325.90
Sep	322.65	326.40	322.35	327.90

BASE LENDING RATES

	%		%		%
ABN Bank	14	Co-operative Bank	*14	Nat Bk. of Kuwait	15
Adam & Company	14	Coutts & Co	14	[illegible] Westminster	14
Allied Trust Bank	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
AIB Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
● Henry Ansbacher	14	Duncan Lawrie	14	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
● B & C Merchant Bank	14	Exeter Bank Limited	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Ireland	14	Girobank	14	Unibank plc	14
Bank of India	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of Scotland	14	● Hambros Bank	14	United Mizrahi Bank	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Benchmark Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
● Brown Shipley	14	Hongkong & Shangh	14	Yorkshire Bank	14
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		

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MONEY MARKETS

London rates steady

INTEREST RATES were steady on the London money market yesterday as the pound lost ground to the strong dollar but improved against the D-Mark.

[illegible] by Mr John Major, the UK prime minister, appeared to rule out an early cut in bank base rates, while the Gulf situation remained tense on the apparent lack of any softer attitude in either Baghdad or Washington.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Three-month interbank was unchanged at 13⅞-13¾ per cent, and 12-month money was steady [illegible] 12⅞-12⅝ per [illegible].

Short sterling futures finished little changed on Liffe. The March contract opened slightly higher at 87.17, and fell to a low [illegible] 87.03. This was slightly above [illegible] next technical support level of 86.95, but then rebounded to close at [illegible] compared with 87.14 previously.

The supply of day-to-day credit [illegible] fairly comfortable on the London money market, but the Bank of England did not ap[illegible] to supply enough help to take out the full underlying shortage. A shortage of £500m was forecast and the authorities gave assistance of [illegible] [illegible] lunch the Bank [illegible] England bought £161m bills outright by way of £5m Treasury bills in band 2 at 13¾ per cent and £156m bank bills in band 2 at 13¾ per cent. In the afternoon another £12m bank bills were purchased in band 2 at 13¾ per cent. Late assistance of around £10m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,145m, with exchequer transactions absorbing £120m. These outweighed a fall in the note circulation adding £630m to liquidity and bank balances above target of £135m.

In Paris the Bank of France left its money market intervention [illegible] per cent and [illegible] 10-day repurchase rate at 10 per cent when adding liquidity at a securities repurchase tender.

In Amsterdam the Dutch Central Bank [illegible] its rate on special [illegible] in [illegible] domestic money market [illegible] 8.80 from [illegible] per cent. This applies to seven-day advances, replacing an expiring five-day facility today.

In Frankfurt call money was unchanged at 8.50 [illegible]. Banks [illegible] ample use of their 8.50 per cent Lombard borrowing facilities to build up reserves against the possible danger [illegible] higher [illegible] later in the month.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.7) [illegible] US dollars		6 months US Dollars	
bid 7⅛	offer 7⅛	bid 7⅛	offer 7⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds	
Prime rate	9.5	One month	5.93
Broker loan rate	9	Two month	6.64
Fed.funds	7⅛	Three month	6.72
Fed.funds at intervention	-	Six month	6.79
		One year	6.84
		Two year	7.21
		Three year	7.41
		Four year	7.64
		Five year	7.75
		Seven year	8.03
		10-year	8.13
		30-year	8.32

Jan.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.45-8.55	8.85-9.00	9.00-9.15	9.10-9.25	9.25-9.40	8.50
Paris	9⅞-10⅛	9⅞-10	-	[illegible]	-	9.25
Zurich	7⅞-8⅛	8⅛-8⅞	-	[illegible]	-	-
Amsterdam	9.35-9.45	9.35-9.43	-	[illegible]	-	-
Tokyo	8-8⅛	8⅛-8⅛	-	[illegible]	-	-
Milan	12⅛-12⅞	13⅛-13⅛	-	[illegible]	-	-
Brussels	7.40	9⅞-10	-	[illegible]	-	-
Dublin	9⅛-10	11-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	-

LONDON MONEY RATES

Jan 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14	[illegible]	[illegible]	[illegible]	13
Interbank Bid	13⅞	13⅞	[illegible]	[illegible]	[illegible]	12⅞
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	12⅞
Local Authority Deps	13⅞	13⅞	[illegible]	[illegible]	[illegible]	12⅞
Local Authority Bonds	-	-	[illegible]	[illegible]	[illegible]	-
Discount Mkt Deps	14⅛	13⅞	[illegible]	[illegible]	[illegible]	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	12⅞
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	12⅞
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Dollar CDs	-	-	[illegible]	[illegible]	[illegible]	7.50
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	8⅞
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	8⅞
ECU Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	10⅞
ECU Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	10⅞

Treasury Bills (sell): one-month 13⅞ per cent; three months 12⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months [illegible] per cent; Treasury Bills; Average tender rate of discount 13.0782 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1990. Agreed rates for period Jan 26, 1991 to Feb 25, 1991, Scheme I: 14.54 p.c., Schemes II & III: 15.09 [illegible]. Reference rate for period Dec 1, 1990 to Dec 31, 1990, Scheme IV&V: 13.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from January 1, 1991. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Dec 8,1989, Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

CENTRAL MAINTENANCE SERVICES LIMITED

[illegible] Number: 1658455
Nature of business: Provision of maintenance services
[illegible] appointment of joint [illegible] 1990
Name of person appointing the joint administrative receivers: National [illegible] Bank [illegible]
JOSEPH PATRICK CONSIDINE and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 058 and 141)

Cork Gully
Churchill House
Churchill Way
Cardiff
CF1 4XQ

AIR PRODUCTS AND CHEMICALS, INC.

[illegible]

9½% [illegible] due [illegible]

Copies of [illegible] and Chemicals, Inc. Annual Report [illegible] Consolidated Financial Statements for the year ended [illegible] September, 1990 are available from the ground floor [illegible] desk of Baring Brothers [illegible] Co., Limited at the following [illegible]

Baring Brothers [illegible] Co., Limited
8 Bishopsgate, London EC2N [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Cr Gr'se	Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

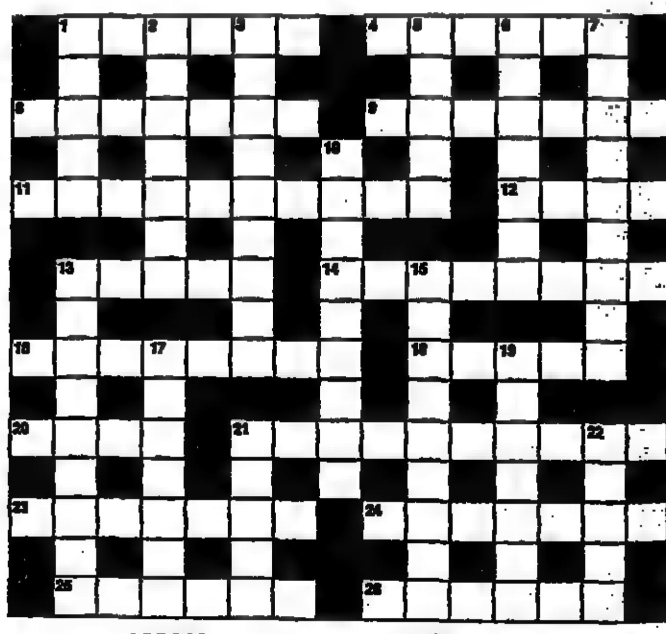
Money Market Bank Accounts

	Gross	Net	Cr Gr'se	Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.7,436 Set by DANTE



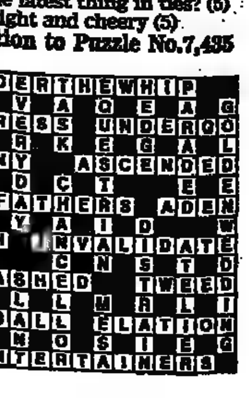
ACROSS

1 Forms a queue at the back (6)
4 Slow movement gets a soldier in trouble (6)
8 Excuse for a foreword maybe (7)
9 Various chaps in vegetable production (7)
11 Draw stumps in an evenly contested game (5,5)
12 Discarded garden tools may be kept here (4)
13 Old prison ships (5)
14 Wild parties a host has to put up with (8)
16 Here cars are involved in scientific inquiry (8)
18 Lady I take out? (5)
20 Seen in church when spring returns before Easter starts (4)
21 Enthusiasm experienced by a [illegible] poker player? (5,5)
23 The [illegible] needs me to reorganise it (7)
24 Institution providing outlet after study (7)
25 Decide to stay (6)
26 A way man gets lost (6)

DOWN

1 Each [illegible] left [illegible] danger (5)
2 Its rate has to be adjusted for an entertainer (7)
3 It shows the distance gone in extra time perhaps (9)
5 Such charges may be dropped (5)
6 See sign is incorrect, for a start (7)
7 Short race organised for a play group (9)
10 Come to a sudden conclusion (4,5)
13 Money saving offer at the dry-cleaners, a feature of democracy (4,5)
15 They make up the family accounts (9)
17 One constituent of fire may be oxygen, for example (7)
19 Free to make a speech (7)
21 The latest thing in ties? (5)
22 Bright and cheery (5)

Solution to Puzzle No.7,435



WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices January 7

MONTREAL
Closing prices January 7

INDICES

NEW YORK DOW JONES

	Jan. 7	Jan. 4	Jan. 3	Jan. 2	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2522.77	2566.09	2573.51	2610.64	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.71	91.94	92.01	91.63	93.04 (3/1/90)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	894.30	909.11	909.48	909.30	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	205.67	207.94	207.81	208.50	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2563.37 (2601.98) Low 2514.11 (2540.84)

STANDARD AND POOR'S

	Jan. 7	Jan. 4	Jan. 3	Jan. 2	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	315.44	321.00	321.91	326.45	368.95 (16/7/90)	295.46 (11/10/90)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	369.64	375.97	377.18	383.02	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.34	22.88	22.84	23.09	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	173.07	175.95	176.41	178.62	201.13 (16/7/90)	162.20 (11/10/90)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	300.18	303.05	304.78	306.57	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	360.24	367.24	367.51	372.19	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan. 4	Dec 28	Dec.21	year ago (approx.)
Dow Industrial Div. Yield	4.02	3.92	3.92	3.84

	Jan. 2	Dec 26	Dec.19	year ago (approx.)
S & P Industrial div. yield	3.35	3.31	3.32	2.86
S & P Indl. P/E ratio	15.76	15.92	15.88	15.19

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Student Ln	1,972,600	45⅛	- 2⅛
Verity Corp	1,781,700	1⅛	- ⅛
Phillip Morris	1,705,600	48⅝	- ¾
Am T & T	1,441,700	29⅜	- ⅛
Gen Electric	1,425,500	53⅜	- ⅝
East. Kodak	1,316,900	39½	- 1⅛
Wal-Mart Stores	1,287,000	29	- ⅝
Archer Dan	1,282,900	20⅛	- ⅝
Gen Motors	1,261,200	31⅞	- 1⅛
Pepsico	1,231,800	24⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Jan. 7	Jan. 4	Jan. 3
New York	130.610	140.820	141.450
Amex	10.287	8.319	8.222
NASDAQ	(u)	103.833	108.392
Issues Traded	1,995	1,972	2,004
Rises	346	781	586
Falls	1,222	683	941
Unchanged	425	508	477
New Highs	10	7	11
New Lows	39	21	17

CANADA TORONTO

	Jan. 7	Jan. 4	Jan. 3	Jan. 2	1990-91 HIGH	1990-91 LOW
Metals & Minerals	2650.66	2677.34	2682.61	2742.67	3453.05 (4/1/90)	2406.60 (3/11/90)
Composite	3201.00	3216.59	3221.73	3239.36	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1700.23	1707.69	1707.69	1718.26	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday January 5: Taiwan Weighted Price: 4456.27. Korea Comp Ex. 698.46. *Calculated at 15.00 GMT.

§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

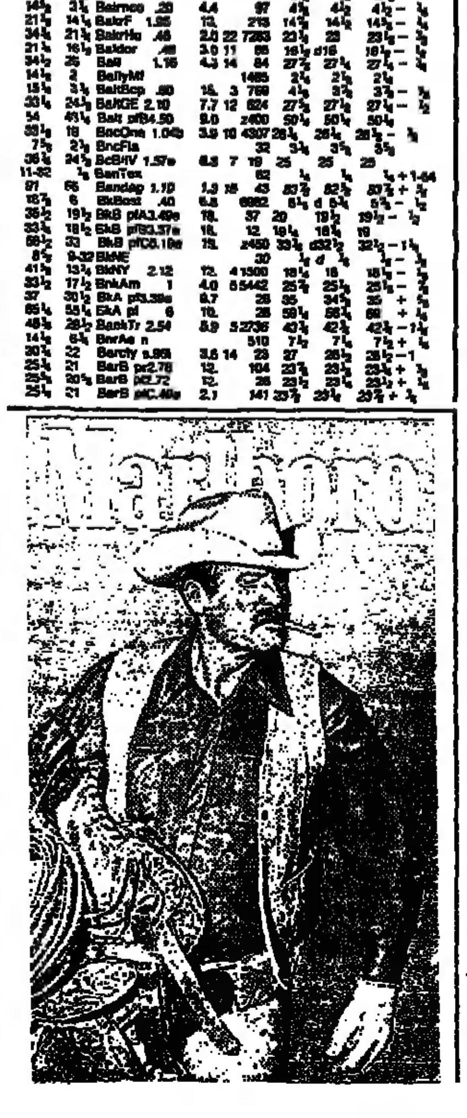
TOKYO - Most Active Stocks
Monday 7 January 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.0m	455	-4
C Itoh	4.0m	865	-12
Honshu Paper	3.2m	1,770	-60
S'tomo Elec	3.1m	1,420	-10
Tokyo Elec Pow	3.0m	3,790	-10
Furukawa Elec	2.7m	695	+15
M'bishi Heavy	2.4m	677	-5
Marubeni	2.4m	678	-15
Chiyoda Corp	2.2m	1,980	-70
NKK	2.2m	396	-5

4pm prices January 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
35 7/8	9 1/8	AAR	.48	4.6	9	875	10 5/8	10 1/4	10 1/2	– 1/8
9 1/4	7 1/4	ACM	n1.03e	12.		170	8 7/8	8 3/4	8 7/8	
11 7/8	8 3/4	ACMIn	1.26	12.		x1556	10 3/4	10 1/2	10 5/8	
9 1/4	6 1/2	ACM M	n1.01	13.		x578	7 7/8	7 3/4	7 3/4	
12 1/8	10	ACMMM	1.50	12.		289	12 1/8	11 7/8	12 1/8	+ 1/8
11 1/2	8 5/8	ACM Sc	1.28	12.		1245	10 3/8	10 1/8	10 1/4	
9 5/8	7 1/4	ACMSp	1.01	12.		713	8 3/4	8 1/2	8 5/8	
25 3/4	17	AL Lab	.16	.7	18	100	23	22 1/2	22 3/4	– 3/8
4 1/8	1	AM Intl				370	1 3/4	1 1/2	1 1/2	– 1/8
18 7/8	4 1/2	AM In pf	2	24.		114	8 3/8	8	8 3/8	+ 1/4
70 1/4	38 3/4	AMR			13	4660	45 5/8	44 1/4	44 3/8	– 1 3/4
26 1/2	25	ANR pf	2.67	10.		1	u26 3/4	26 3/4	26 3/4	+ 1/2
4	1 1/2	ARX				69	1 1/2	1 3/8	1 1/2	+ 1/8
72 3/4	38 1/4	ASA	3	6.3		1948	47 5/8	45 1/4	47 1/2	+ 2 3/8
3 1/2	1 7/8	ATTC wt				31	2 1/4	2 1/4	2 1/4	– 1/8
48 5/8	31 1/4	AbtLab	s.84	2.1	19	7091	40 1/2	39 1/4	40 1/8	– 3/8
14	10 1/4	Abitibi	g .50			100	10 3/8	d10 1/8	10 1/8	– 3/8
11 5/8	4 1/2	AcmeC	.40	7.8	12	30	5 1/8	5	5 1/8	
9 5/8	5	AcmeE	.32	6.4	9	35	5 1/8	5	5	– 1/8
32 5/8	16 7/8	Acuson	s		19	3152	24 1/8	22 3/4	24 1/8	+ 1/8
16 7/8	14 1/8	AdaEx	1.72e	12.		1476	14 7/8	14 3/4	14 7/8	
14 1/2	8 5/8	Adobe				18	9	8 7/8	8 7/8	+ 1/8
21 1/2	18 1/4	Adob pf	2.40	12.		41	19 3/8	19 3/8	19 3/8	+ 1/8
11 3/8	3 3/8	AMD				2124	5 1/8	4 7/8	5	– 1/8
32 1/4	13	AMD pf	3	16.		238	19 3/4	19 1/4	19 1/4	– 1/2
7 1/2	1 5/8	Advest	.16	5.8		37	2 3/4	2 5/8	2 3/4	
58 5/8	29	AetnLf	2.76	8.0	8	2683	35 3/4	34 1/8	34 3/8	– 2 1/8
11 1/4	6 1/4	AffilPb	.24	3.1		695	8	7 5/8	7 3/4	– 1/4
22 1/2	10 3/8	Ahmans	.88	6.8	5	3906	13	12 3/4	13	– 1/8
3 5/8	1 7/8	Aileen			8	55	3 1/4	3	3 1/4	+ 1/8
[illegible]										



Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.%	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7/8	1-16	ProRlC			7	41	7-32	3-16	3-16	-1-32
8 1/8	3 1/8	PruRl	.64e	18.		106	3 1/2	3 1/4	3 1/2	+ 1/8
26 1/8	20	PSvCol	2	8.9	9	x2743	22 1/2	22 1/4	22 3/8	- 1/8
77	71	PSCol pf7.15		9.3		z100	76 1/2	76 1/2	76 1/2	
24 3/8	21 1/8	PSCol pf2.10		8.6		5	24 3/8	24 1/8	24 1/8	
4	1 1/8	vjPSNH				322	2 7/8	2 1/2	2 3/4	+ 1/8
23 1/8	17 3/4	vjPSNH pf				z1700	23	22 1/2	22 1/2	-1
23 3/4	17 3/8	vjPNH pfE				2035	23 1/4	22 3/4	22 7/8	- 3/8
23 3/8	18	vjPNH pfF				2	23	22 3/4	23	+ 1/4
23 3/4	19	vjPNH pfG				116	23 3/8	23	23 1/4	+ 1/4
15 1/2	8	PSvNM			14	673	8 3/8	8 1/4	8 1/4	- 1/8
28 1/2	22 1/2	PSEG	2.12	8.1	11	2670	26 1/2	26 1/8	26 1/4	- 1/8
49	45 1/4	PSEG pf4.30		9.1		z380	47 1/4	47 1/4	47 1/4	+ 3/4
90 1/2	85	PSEG pf8.16		9.3		z170	88	88	88	-2 1/2
87 1/2	80 3/4	PSEG pf7.70		8.9		z50	86 1/2	86 1/2	86 1/2	+1
90	81	PSEG pf7.80		8.9		z90	87 1/4	87 1/4	87 1/4	+1 1/4
87	82 1/4	PSEG pf8.08		9.2		z100	u89	89	89	+1
2 1/2	1	Publick				220	1 1/8	1	1 1/8	
51	30 1/2	PR Cem	.90	2.2	6	x18	41 1/4	41 1/4	41 1/4	+ 3/4
22 1/8	18 3/4	PugetP	1.76	8.7	11	700	20 3/8	20 1/8	20 1/4	- 1/8
11 1/4	8 1/2	PDPI	1.22a	12.		708	10	9 7/8	9 7/8	- 1/8
12 3/8	8 1/4	PDIF	1.31	13.		163	9 7/8	9 3/4	9 7/8	
7 1/4	4 7/8	PHICB	.85a	16.		280	5 3/8	5 1/4	5 1/4	
9 7/8	8 1/4	PHYM	.81	9.7		208	8 3/8	8 1/4	8 3/8	+ 1/8
9 1/2	7 3/4	PIGIT	.98	11.		1501	9 1/8	8 7/8	9	- 1/8
11 3/4	10 1/4	PIGM	.89	7.9		488	11 1/4	11	11 1/4	
...										
10 1/2	4	ZenithE				372	7	6 7/8	6 7/8	- 1/8
16 1/8	9 7/8	Zenith	1	7.4	8	484	13 5/8	13 1/2	13 1/2	- 1/8
7 1/2	4 3/8	Zenix	.93	20.		117	4 5/8	4 5/8	4 5/8	
17 1/8	8 7/8	Zero	.40	3.5	12	47	11 3/8	11 1/8	11 3/8	
61 1/4	29 3/4	Zurnin	.88	2.7	14	253	33 1/4	32 3/4	32 3/4	- 3/4
12 7/8	10 1/8	Zweig	1.67e	16.		544	11	10 7/8	10 7/8	- 1/8
10	7 5/8	ZweigTl	.96	11.		1775	8 5/8	8 5/8	8 5/8	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 7

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PlyGem	.12	10	42	5 5/8	5 1/2	5 5/8	
Presd A	.10		178	5 1/2	5 3/8	5 3/8	- 1/8
PrcCom			18	5-16	1/4	1/4	-1-16
Prism			2	1 3/8	1 3/8	1 3/8	- 1/8
ProfCre			253	5 3/8	5	5 1/8	- 1/8
- R-R -							
REW			1	4	4	4	

NASDAQ NATIONAL MARKET

3pm prices January 7

Hand-Delivery now available in

MOSCOW

WARSAW

BUDAPEST

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Fax 49 - 69 - 722677

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AS) party has on
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AMERICA

Banking shares resilient to New England collapse

Wall Street

FEAR THAT war in the Gulf is unavoidable, in spite of the planned meeting between Mr James Baker and Mr Tariq Aziz in Geneva this week, took its toll of US equity prices, which moved sharply lower yesterday in light trading, *writes Karen Zagor in New York*.

The Dow Jones Industrial Average blue chip indicator closed down 43.32 at 2,522.77, following the 63-point drop seen last week. On the big board, declining issues outpaced rises by 1,218 to 348 after New York SE volume of 130.6m shares. The Standard & Poor's 500 weakened 5.56 to 315.44, while the American Stock Exchange composite was off 2.87 at 300.18.

The renewal of hostile stances by Iraq and the US proved good for the oil market, where February's crude oil contract climbed $2.75 to $27.65 a barrel on the New York Mercantile Exchange. The news, however, shook the bond market, where the treasury's benchmark 30-year bond dropped 1⅛ to 104⅝, yielding 8.32 per cent.

In the stock market, traders said the rise in crude oil prices and weak bonds spurred index-arbitrage programme selling. Student Loan Marketing Association (Sallie Mae) fell $2¼ to $45¾ in very heavy trading on reports that the Bush administration is considering changing the student loan programme to by-pass the banking industry. The changes would sharply reduce the role played by Sallie Mae.

Eagle-Picher Industries plummeted $1⅛ to $1¼ after the company and some of its affiliates filed for reorganisation under Chapter 11 of the US bankruptcy code.

UAL, parent of United Airlines, dropped $2 to $109¾ on reports that the airline plans to inject fresh cash into Pan Am if the Transportation Department clears United's purchase of Pan Am's London routes. A decision is expected before long. Pan Am held at $1⅛.

Bank issues showed resilience yesterday, moving only moderately lower in the face of news that federal regulators had taken over operations at Bank of New England, which yesterday filed for liquidation under Chapter 7 of the federal bankruptcy code.

Among other banks, Citicorp slipped $⅜ to $13, Chase Manhattan was off $¼ at $10⅝, Manufacturers Hanover moved $1⅛ lower to $20⅛ and Chemical Bank lost $⅛ to $8⅝. Among New England banks, Shawmut National shed $⅜ to $4⅜ and Fleet/Norstar eased $⅛ to $10⅜. In over-the-counter trading, BayBanks, which has its headquarters in Boston, lost $⅛ to $12¼ and State Street Boston declined $1¼ to $32⅞.

Philip Morris was one of the most active issues of the day, losing $¾ to $48⅝. Trading was also heavy in AT&T, which eased $⅛ to $29⅝, and in Toys R Us, off $⅜ at $23⅝.

Once again, the secondary market followed listed issues lower yesterday, with the Nasdaq composite receding 7.00 to 360.24. Apple Comuter closed unchanged at $43¼. The company introduced a new family of high-speed products yesterday.

Among other active stocks, Sun Microsystems gained $⅝ to $22½, Intel slipped $⅜ to $38⅝ and MCI Communications lost $⅛ to $19⅝. Lotus dropped $2 to $16¼ after the issue was downgraded by an analyst at Shearson Lehman Brothers.

Canada

INCREASING worries over the Gulf situation caused most sectors in the Toronto market to lose ground, but sharply boosted the golds group and left the oils index with a modest improvement.

The composite index lost 15.6 to 3,201.0 and declines led advances by 330 to 242 after a volume of 20.4m shares, against last Friday's 16.3m.

The gold shares index advanced 2.98 per cent as the bullion price jumped $8.75 an ounce to $384 in New York.

EUROPE

Leading bourses approach post-Kuwait invasion lows

SENIOR BOURSES moved back down towards their post-Kuwait lows yesterday, early closing markets waiting for Wall Street to open lower – and late closers reflecting the Dow's early weakness, *writes Our Markets Staff*.

The FT-SE Eurotrack 100 index opened 14.77 lower at 932.47, extending its fall to 21.78 by the official close and 21.37, or 2.3 per cent, to 925.87 in the post-bourse.

Market strategists foresee a sharp rally in equities once the Gulf crisis has been resolved; but the short-term mood is one of severe caution. Mr Roger Palmer of Kleinwort Benson, for example, says that upside potential is distinctly limited, and that the downside risks have become significantly greater in recent days.

Kleinwort questions the belief that fund managers, with above-average levels of liquidity, are impatient to go back into equities. Mr Palmer points out that funds with high liquidity are outperforming in the league tables as equity markets decline; he recommends higher liquidity levels for the time being.

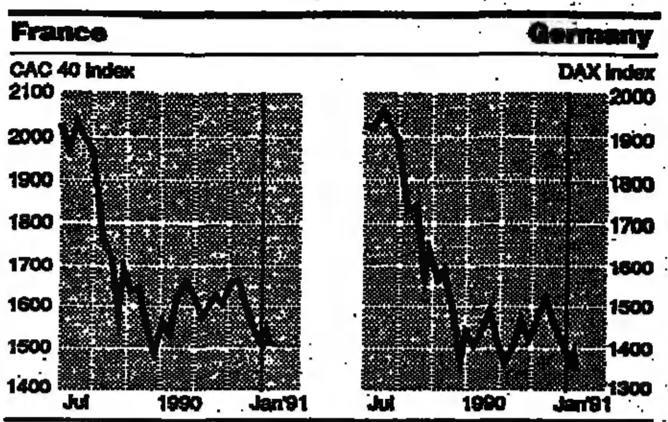
FRANKFURT dropped 2.7 per cent, the DAX index closing 37.91 lower at 1,358.16 after a 13.77 drop to 588.34 in the FAZ at midsession. Volume fell back again, from DM3.3bn in Friday's technical correction to DM2.7bn.

Bellicose comments by Iraqi President Saddam Hussein were blamed for the latest drop, which extended into the bond market where the Bundesbank's average bond yield rose 5 basis points to 9.12 per cent.

Mr Adrian Phillips, head of European research at Kleinwort, noted that the market had chosen to ignore a strong recovery in the dollar, the weakness of which had been a threat to German corporate earnings.

One of the few shares to gain was Rheinmetall, the Berlin-based engineer with defence technology interests, which rose DM7 to DM284. Mr Phillips noted that last week's defence story was IWKA, which fell DM7.50 yesterday to DM278.

PARIS retreated following last week's modest gains. The CAC 40 index closed 39.79 or 2.6 per cent down at 1,507.87, after recovering from a day's low of 1,501.26. The index is now only 1.5 per cent above its 1990 low.



One of the day's principal features was selling by UK investors of Elf Aquitaine, which lost FFr13.40 or 4.8 per cent to FFr265.90 in the most active trading of the day. The feeling was that Elf's chemicals business would weigh on profits, regardless of the direction of the oil price, said one analyst. Of the total bourse turnover of FFr893m by the official close, Elf accounted for FFr88.6m.

Peugeot was another heavy faller, losing FFr20.90 or 4.1 per cent to FFr496.10 with 98,550 shares exchanged. Mr Jacques Calvet, its chairman, said that the carmaker's cash position had deteriorated last year, with net debt rising to between FFr6bn and FFr8bn from FFr2.5bn in 1989. He reiterated his forecast of a slight fall in 1990 net profits.

Among other losers, Suez dropped FFr12.90 or 4.6 per cent to FFr265.10 and Alcatel-Alsthom shed FFr14 to FFr535.

AMSTERDAM ended near the day's lows in trading dominated by professionals and options-related activity. The CBS Tendency index fell 1.7 to 78.3 in volume of about Fl 350m after Fl 430m on Friday.

KLM, which said that its provisional load factor fell to 69.7 per cent in December 1990 from 71.1 per cent in November, lost 50 cents to Fl 20.50. There was also talk that KLM had ended its co-operation with Frans Maas, reviving speculation that it would sell its 35 per cent stake in the transport company. Frans Maas was steady at Fl 75.50.

DAF, the truck manufacturer, fell Fl 1.30 or 6.9 per cent to Fl 17.50 following the news late on Friday that its 1990 losses before charges would be Fl 150m. Some analysts expected the company to lose a further Fl 120m before charges in the first half of 1991.

Options in Philips were traded heavily. One traded 14,000 lots, both buying and selling calls and puts for dates between 1993 and 1995. The stock closed 10 cents easier at Fl 20.50.

ZURICH fell in very thin trade, the Crédit Suisse index closing 13.5 or 2.9 per cent lower at 446.6. Even after the Gulf crisis is over, said brokers, firm domestic interest rates were likely to keep most investors out of equities, in favour of short-term money market instruments.

MILAN eased in thin, technical trading. The Comit index fell 2.47 to 518.87. Generali continued to rise, adding L120 to L39,490, although dealers could not identify any specific reasons. The stock then lost L240 after hours.

MADRID declined, but more modestly than many bourses, with the general index falling 0.40 to 221.00 in light trading.

BRUSSELS fell in thin dealings, the cash market index easing 62.38 to 4,823.05.

OSLO slipped in thin volume of NKr170m. The all-share index fell 3.46 to 431.90, its lowest level for more than a year.

STOCKHOLM fell for the fourth day in a row. The Affärsvärlden General index shed 20.40 to 817.60.

ISTANBUL plunged 6.4 per cent in moderate trading on renewed Gulf worries. The bourse, which had been in optimistic mood on Friday when it jumped 8.9 per cent, saw the 75-share index drop 225.6 to 3,292.30 in turnover of TL63bn, down from TL88bn.

ASIA PACIFIC

Worries over Gulf crisis depress Nikkei in slack trade

Tokyo

CONCERN OVER the Gulf crisis pushed Tokyo lower in very quiet trading yesterday. Volume shrank to 170m shares, the lowest since October 27, 1986, *writes Emiko Terazono in Tokyo*.

Reports of Iraqi President Saddam Hussein's hostile speech on Sunday depressed stock prices, and the Nikkei average closed down 332.61 at 23,736.57, slightly above the day's low of 23,735.59. The average had opened at the session's high of 24,036.99.

Losses outnumbered gains by 654 to 233, with 162 issues unchanged. The Topix index of all first section stocks fell 17 points to 1,723.92 and, in London trading, the ISE/Nikkei 50 index slipped 9.08 to 1,321.50.

Traders in Tokyo said the downturn in the market could have been worse, if some investors had not still been expecting a peaceful solution to the situation in the Gulf. Mr Kamran Khokhar at Jardine Fleming Securities said war was not yet on the domestic investors' minds but, if the mood were to change, equities could face heavy selling.

Large-capital issues and utilities lost ground, with Nippon Steel shedding Y4 to Y455 and Tokyo Electric Power Y10 to Y3,790.

Chiyoda, a plant engineer with an oil refinery in Iraq, was down Y70 at Y1,660. Other oil-related shares also declined.

Game makers continued to fall, as the sector was considered to be over-priced. Sega Enterprises lost Y1,200 to Y10,200 and Nintendo Y1,200 to Y17,100 in Osaka. Concern over heavy margin positions in Nintendo, following the heavy buying in August, also depressed the issue.

Gunze, a leading underwear maker, dipped Y4 to an all-time low of Y711. While the company expects good profits from its brisk sales, concern over fund-raising for its capital investment programme depressed the issue.

The automobile sector was one of the few bright areas, Toyota gaining Y10 to Y1,760 and Honda Y10 to Y1,260. US car sales for 1990, announced on Friday, indicated that total market share for Japanese cars had reached 31.8 per cent. Toyota's sales rose by 21 per cent and Honda's 9.2 per cent.

Some export-oriented precision equipment issues rose on the stronger dollar. Konica put on Y10 to Y840 and Canon added Y20 at Y1,290.

Smaller stocks weakened, and the indices for the second and over-the-counter sections fell to their lowest levels since the start of last year. Individual investors, who were active buyers of small issues last July, have been selling their holdings. The low liquidity of small issues has exaggerated their price fluctuations.

In Osaka, the OSE average receded 181.99 to 24,730.01 on thin volume of 10.9m shares. Interest faded in issues that securities houses have been promoting as "environment caring". Chugai Ro, a leading industrial furnace maker popular last year owing to its device that produces bricks from ashes of burnt sewage sludge, retreated Y20 to Y1,040.

Roundup

ATTENTION IN Pacific Rim markets remained firmly focused on the Middle East yesterday, with most declining in thin and nervous trading.

TAIWAN fell 6 per cent on profit-taking after the market's rise on Saturday. The weighted index lost 265.20 to 4,191.07 in trading worth T$39.1bn, after Saturday's T$43.4bn.

SEOUL's depression about the Gulf triggered profit-taking, and the composite index shed 21.80, or 3.1 per cent, to 676.65. Turnover totalled Won150bn, compared with Won126.8bn in Saturday's half-day trading.

Sentiment was further harmed by the suspension of Keunha Textile and Kunja Industries, the sweater-maker. Keunha had fallen Won400 to Won9,000 and Kunja had lost Won600 to Won11,100 in unusually active trading over the last couple of sessions.

BANGKOK declined across the board in light volume. The SET index dropped 14.52, or 2.4 per cent, to 595.36. MANILA's composite index lost 10.66 to 601.97, reflecting Gulf fears and rising domestic interest rates. Turnover shrank to 49.9m pesos from 81.4m pesos.

AUSTRALIA started higher in a technical reaction to the market's fall on Friday to the lowest level in almost three years, but the All Ordinaries index ended a net 2.1 lower at 1,339.5. Overall turnover came to A$135m, after Friday's A$122m. Lend Lease, one of last year's best performers, weakened 55 cents to A$13.70.

HONG KONG lost ground in thin trading, the Hang Seng index slipping 21.20 to 3,025.41 in turnover of HK$399m, similar to Friday's HK$397m. SINGAPORE was easier, with the Straits Times Industrial index down 5.87 at 1,174.70. Turnover fell to S$52m from S$65.7m.

BOMBAY remained cautious on the Gulf situation, but a technical recovery left the BSE index 28.42 better at 1,010.77 after last week's 66-point drop.

SOUTH AFRICA

GOLD shares were boosted by a rise in the bullion price to about $391. The all-gold index rose 61 to 1,313 while the overall index added 13 to 2,722. De Beers eased 40 cents to R83.85 before the results from its Central Selling Organisation.

New year opens on a cautious note

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−2.08	−7.65	−18.52	−2.09	−2.77	−2.60
Belgium	−0.74	−4.91	−27.77	−0.74	−1.08	−0.90
Denmark	−2.71	−6.02	−18.15	−2.71	−3.10	−2.92
Finland	−3.31	−5.62	−32.25	−3.31	−3.40	−3.22
France	+1.03	−7.64	−25.39	+1.03	+0.40	+0.58
Germany	−0.13	−7.52	−22.24	−0.13	−1.02	−0.85
Ireland	−3.48	−4.81	−34.75	−3.14	−3.29	−3.11
Italy	+0.83	−4.76	−29.53	+1.32	+0.75	+0.93
Netherlands	+0.10	−0.37	−18.29	+0.10	−0.81	−0.62
Norway	−3.15	−7.59	−16.91	−3.15	−3.49	−3.31
Spain	−0.35	−7.08	−26.11	−0.35	−0.43	−0.25
Sweden	−2.70	−9.63	−28.75	−2.70	−3.10	−2.92
Switzerland	−0.92	−5.20	−24.82	−0.92	−1.14	−0.96
UK	−1.54	−2.66	−14.86	−0.90	−0.90	−0.71
EUROPE	−0.73	−4.66	−20.40	−0.40	−0.75	−0.58
Australia	−3.63	−7.49	−25.82	−3.63	−2.83	−2.65
Hong Kong	−0.26	−4.61	+ 3.36	+0.69	+0.57	+0.75
Japan	+0.59	+0.75	−39.77	+0.59	+0.81	+0.99
Malaysia	−1.33	+3.83	−12.37	−2.55	−2.94	−2.77
New Zealand	+0.10	−5.06	−41.37	+0.10	+0.48	+0.62
Singapore	+0.82	−1.11	−21.36	+0.82	+0.38	+0.57
Canada	−0.77	−0.64	−16.31	−1.37	−0.83	−0.65
USA	−2.27	−1.98	− 9.91	−2.68	−2.86	−2.68
Mexico	−0.76	−5.22	+92.90	−0.83	−1.07	−0.89
South Africa	−0.36	−0.12	−12.06	−0.36	−0.19	−0.02
WORLD INDEX	−0.86	−1.85	−24.69	−0.93	−0.98	−0.81

† Based on January 4th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities Ltd

By Antonia Sharpe

WORLD stock markets started the year on a cautious note as the January 15 United Nations' deadline for Iraq to quit Kuwait approached. The new year festivities kept volume low, and this accentuated the falls in many markets. The FT-Actuaries World Index in local currency terms ended the first trading week of 1991 with a fall of 0.9 per cent, dragged lower by the United States. Excluding the US, the index was only 0.1 per cent easier.

Wall Street, open every day last week except for New Year's Day, lost 2.3 per cent on growing fears that the US economy is heading for a long recession. Poor data on auto and retail sales depressed equities, while a smaller than expected fall in non-farm payrolls dashed hopes of an early easing in monetary policy.

Australia was the week's worst performer, in spite of a firm golds sector, losing 3.6 per cent as the market fell to its lowest level since February 1988. Analysts expect the market to have a tough first quarter, as the interim reporting period is expected to produce poor first-half figures, bleak statements from company chairmen and perhaps another round of dividend cuts.

In Europe, Ireland led the declines with a drop of 3.5 per cent on the week. Davy's, the Dublin-based brokers, says that poor economic prospects in the US and the UK, Ireland's main trading partners, as well as a slowdown in the domestic economy, will hold back the stock market. Official data showing a slowdown in indirect taxation – indicating less than buoyant retail sales – and a growing trend among institutions to switch out of overseas equities into Irish gilts also depressed share prices.

Scandinavia retreated in thin trading, partly in reaction to the end-December window-dressing activities. A rise in Swedish inflation to 13 per cent over the next two months from 11 per cent for November, as VAT is implemented on all services from taxi cabs to construction work, makes a recovery rather remote.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 7 1991								FRIDAY JANUARY 4 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	114.06	−0.7	88.73	98.53	90.88	97.94	−0.2	7.81	114.92	88.12	98.14	89.98	98.10	158.31	114.06	155.52
Austria (19)	184.48	−3.7	143.50	159.35	146.96	147.07	−1.8	1.86	191.53	146.87	163.57	149.97	149.78	285.63	178.57	210.84
Belgium (60)	126.93	−3.1	98.73	109.63	101.13	98.76	−1.4	5.91	131.03	100.47	111.89	102.59	100.17	160.02	126.67	159.17
Canada (116)	128.46	−0.6	99.94	110.97	102.36	107.26	−0.5	3.74	129.19	99.06	110.32	101.15	107.77	153.61	121.24	152.46
Denmark (32)	219.55	−2.8	170.78	189.65	174.92	176.03	−1.0	1.70	225.83	173.17	192.86	176.82	177.84	277.62	219.56	246.77
Finland (22)	94.87	−5.0	73.79	81.95	75.58	73.38	−3.3	4.13	99.82	76.54	85.25	78.15	75.86	152.29	94.87	137.30
France (113)	127.96	−3.4	99.54	110.53	101.95	104.43	−1.7	3.93	132.51	101.61	113.16	103.75	106.22	168.85	124.98	156.40
Germany (88)	106.45	−4.0	82.81	91.97	84.82	84.82	−2.4	2.68	110.95	85.08	94.76	86.87	86.87	144.63	101.38	129.58
Hong Kong (48)	122.03	−0.6	94.92	105.40	97.23	122.16	−0.5	5.48	122.72	94.10	104.80	96.09	122.81	147.49	112.24	118.51
Ireland (16)	140.56	−2.3	109.34	121.42	111.99	113.44	−0.5	4.56	143.85	110.30	122.85	112.63	114.00	198.57	139.04	196.69
Italy (93)	77.78	−1.8	60.50	67.18	61.97	66.92	+0.1	3.85	79.04	60.61	67.50	61.88	66.84	109.26	75.73	101.88
Japan (453)	123.57	−1.9	96.12	106.74	98.46	106.74	−0.8	0.80	126.01	96.62	107.61	98.67	107.61	197.28	106.58	193.71
Malaysia (34)	204.10	−1.1	158.76	176.29	162.61	213.81	−0.6	3.15	206.27	158.17	176.15	161.50	215.06	250.89	182.96	234.29
Mexico (12)	581.69	+0.4	452.47	502.46	463.46	1879.36	+0.4	0.37	579.22	444.15	494.65	453.51	1871.38	613.96	324.53	334.64
Netherland (41)	129.85	−2.5	101.00	112.16	103.48	102.44	−0.8	5.24	133.14	102.09	113.70	104.25	103.22	149.03	127.56	144.06
New Zealand (15)	43.62	−0.1	33.93	37.68	34.75	39.19	−0.1	8.64	43.68	33.50	37.31	34.20	39.25	75.36	42.62	74.44
Norway (30)	192.17	−2.7	149.48	166.00	153.11	156.17	−1.1	1.95	197.50	151.44	168.67	154.64	157.89	276.79	192.17	214.74
Singapore (25)	158.51	−1.0	123.30	136.92	126.29	128.34	−0.2	3.27	160.17	122.82	136.79	125.41	128.65	209.24	147.24	187.46
South Africa (60)	182.69	−0.1	142.11	157.80	145.55	136.99	+0.9	3.97	182.86	140.22	156.16	143.17	135.72	251.39	151.50	207.47
Spain (41)	138.68	−0.9	107.87	119.79	110.49	100.26	−0.9	5.58	139.97	107.33	119.54	109.59	101.21	182.25	128.54	163.85
Sweden (27)	149.01	−3.7	115.91	128.72	118.73	125.91	−2.5	3.24	154.79	118.69	132.19	121.20	129.18	234.93	149.01	204.29
Switzerland (65)	85.03	−3.5	66.14	73.45	67.75	68.08	−2.2	3.08	88.08	67.54	75.22	68.97	69.65	109.77	85.00	96.90
United Kingdom (297)	161.21	−2.0	125.40	139.23	128.43	125.39	−0.8	5.58	164.50	126.13	140.46	128.78	126.13	176.18	138.87	163.94
USA (527)	127.54	−1.7	99.21	110.17	101.62	127.54	−1.7	3.91	129.74	99.48	110.80	101.58	129.74	148.95	119.06	143.17
Europe (944)	130.24	−2.6	101.30	112.50	103.77	102.78	−1.1	4.54	133.75	102.56	114.22	104.73	103.95	157.65	124.91	146.59
Nordic (111)	157.43	−3.2	122.46	135.98	125.43	124.41	−1.7	2.44	162.69	124.75	138.94	127.38	126.59	223.29	157.43	195.84
Pacific Basin (650)	122.85	−1.8	95.56	106.12	97.88	106.62	−0.8	1.21	125.17	95.98	106.89	98.00	107.45	192.75	107.82	189.41
Euro−Pacific (1594)	126.19	−2.2	98.16	108.99	100.54	105.74	−0.9	2.62	129.00	98.92	110.16	101.00	106.73	174.16	116.03	172.48
North America (643)	127.50	−1.6	99.18	110.15	101.61	126.22	−1.6	3.90	129.61	99.38	110.70	101.50	128.30	148.43	119.26	143.63
Europe Ex. UK (647)	111.39	−3.1	86.64	96.23	88.77	89.52	−1.6	3.75	114.95	88.15	98.19	90.02	90.94	145.62	109.94	134.66
Pacific Ex. Japan (197)	113.76	−0.7	88.49	98.28	90.65	101.61	−0.3	6.43	114.56	87.84	97.86	89.70	101.98	146.72	113.76	137.73
World Ex. US (1782)	127.08	−2.1	98.85	109.78	101.26	106.55	−0.9	2.67	129.80	99.53	110.85	101.63	107.51	173.77	117.12	172.22
World Ex. UK (2012)	122.83	−1.9	95.54	106.10	97.87	111.84	−1.2	2.78	125.27	96.05	106.98	98.09	113.25	162.00	115.37	160.48
World Ex. So. Af. (2249)	125.89	−2.0	97.93	108.75	100.31	113.01	−1.2	3.09	128.42	98.47	109.68	100.55	114.36	151.84	118.04	160.48
World Ex. Japan (1856)	128.87	−2.0	100.24	111.33	102.69	116.54	−1.3	4.24	131.45	100.79	112.27	102.94	118.12	151.58	124.31	145.37
The World Index (2309)	126.24	−2.0	98.19	109.04	100.58	113.18	−1.2	3.10	128.75	98.73	109.96	100.82	114.52	162.05	118.33	160.76

Constituent changes: Name changes: Bell Resources to Australian Cons. Invs.(Australia) and Ebro to Ebro Agricolas (Spain).

هكذا من الاصل